



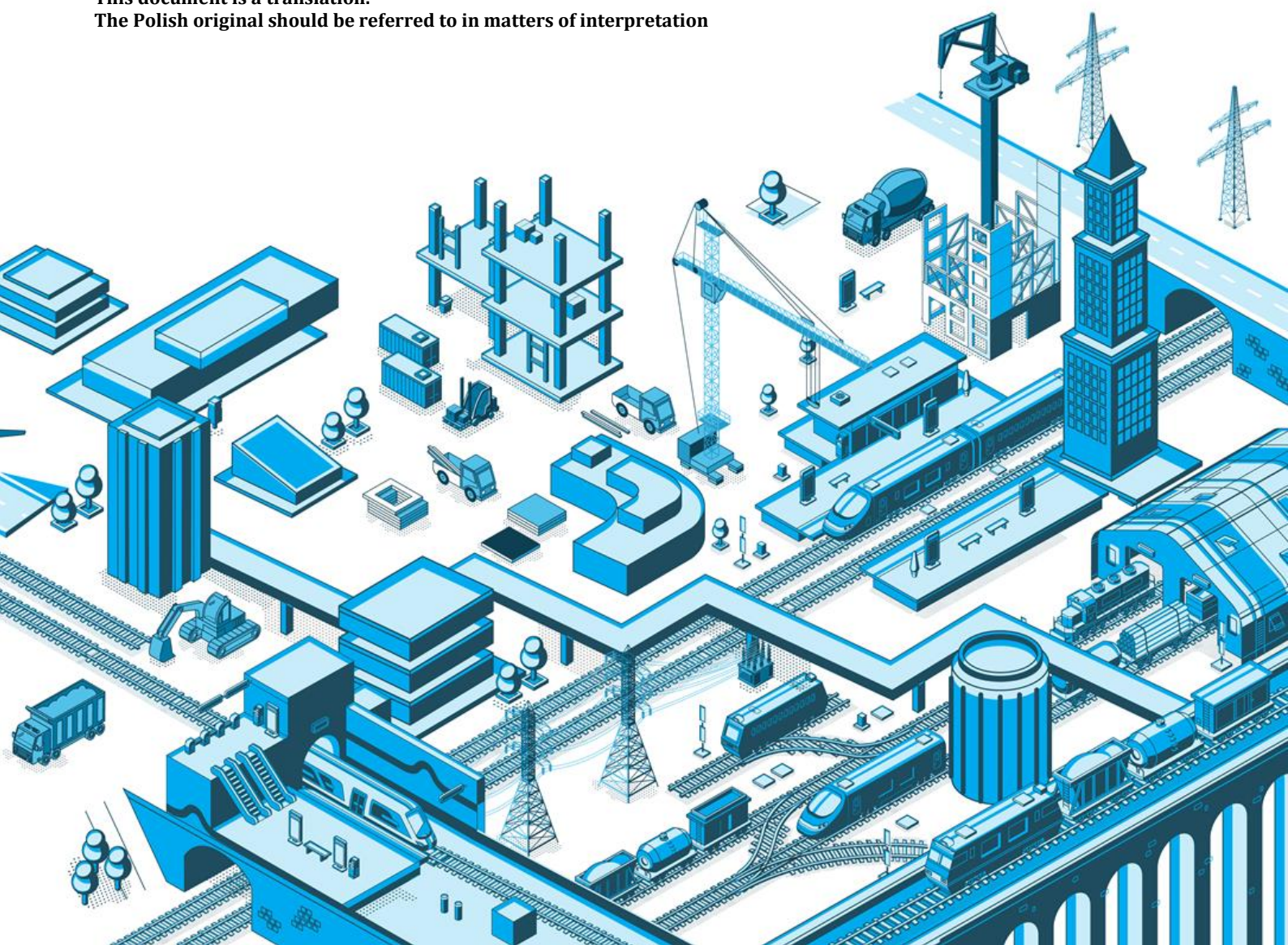
TRAKCJA
GROUP

RAILWAY
ROADS
CIVIL

CONSOLIDATED QUARTERLY REPORT
FOR THE 3-MONTH PERIOD
ENDED MARCH 31, 2022

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 Capital Group for the period of 3 months ended March 31, 2022.

The condensed consolidated financial statements for the I quarter of 2022 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, 2022 to March 31, 2022, which shows a net loss of PLN **58,987** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2022 to March 31, 2022, which shows the negative total comprehensive income of PLN **56,628** thousand.
3. Consolidated balance sheet as at March 31, 2022, which shows the total assets and total equity and liabilities of PLN **1,275,960** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2021 to March 31, 2021, which shows a decrease in the total net cash flows by PLN **94,068** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2021 to March 31, 2021, which shows a decrease in equity by PLN **56,644** thousand.
6. Notes. The condensed consolidated financial statements have been drawn in thousands of Polish zlotys, unless explicitly stated otherwise.

Jakub Lechowicz
President of the Management Board

Paweł Nogalski
Vice-President of the Management Board

Arkadiusz Arciszewski
Vice-President of the Management Board

Piotr Mechecki
Vice-President of the Management Board

Jacek Gdański
Vice-President of the Management Board

Warsaw, May 27, 2022

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I. SELECTED FINANCIAL DATA OF TRAKCJA CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
31.03.2022	4,6472	4,4879	4,9647	4,6525
31.12.2021	4,5775	4,4541	4,7210	4,5994
31.03.2021	4,5721	4,4773	4,6603	4,6603

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

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

	3 month period ended		3 month period ended	
	31.03.2022		31.03.2021	
	kPLN	kEUR	kPLN	kEUR
Sales revenues	271 923	58 513	186 946	40 888
Cost of goods sold	(290 679)	(62 549)	(195 985)	(42 865)
Gross profit (loss) on sales	(18 756)	(4 036)	(9 039)	(1 977)
Operating profit (loss)	(57 326)	(12 336)	(22 733)	(4 972)
Gross profit (loss)	(62 232)	(13 391)	(26 318)	(5 756)
Net profit (loss) from continued operations	(58 967)	(12 689)	(23 255)	(5 086)
Net profit for the period	(58 967)	(12 689)	(23 255)	(5 086)

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

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

	31.03.2022		31.12.2021	
	kPLN	kEUR	kPLN	kEUR
Non-current assets	540 033	116 074	560 778	121 924
Current assets	735 927	158 179	817 784	177 802
TOTAL ASSETS	1 275 960	274 253	1 378 562	299 726
Equity	263 456	56 627	320 100	69 596
Long-term liabilities	343 619	73 857	356 358	77 479
Short-term liabilities	668 885	143 769	702 104	152 651
TOTAL EQUITY AND LIABILITIES	1 275 960	274 253	1 378 562	299 726

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

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

	3 month period ended		3 month period ended	
	31.03.2022		31.03.2021	
	kPLN	kEUR	kPLN	kEUR
Cash flows from operating activities	(114 011)	(24 533)	(71 565)	(15 652)
Cash flows from investment activities	(3 889)	(837)	44 708	9 778
Cash flows from financial activities	23 832	5 128	(38 649)	(8 453)
Total net cash flows	(94 068)	(20 242)	(65 506)	(14 327)

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

	31.03.2022		31.03.2021	
	kPLN	kEUR	kPLN	kEUR
Cash at start of period	126 946	27 601	135 906	29 450
Cash at end of period	32 878	7 067	70 400	15 106

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, 2020, used to calculate the value of cash at start of period ended March 31, 2021 was 4.6148 PLN/EUR.

II. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	1.01.2022 - 31.03.2022 Unaudited	1.01.2021 - 31.03.2021 Unaudited, Modified*
Continued operations		
Sales revenue	271 923	186 946
Cost of goods sold	(290 679)	(195 985)
Gross profit (loss) on sales	(18 756)	(9 039)
Cost of sales, marketing and distribution	(1 205)	(1 540)
General and administrative costs	(15 849)	(14 347)
Other operating revenues	2 840	2 530
Other operating costs	(1 603)	(337)
Goodwill impairment	(22 753)	-
Operating profit (loss)	(57 326)	(22 733)
Financial revenues	1 879	887
Financial costs	(6 785)	(4 472)
Gross profit (loss)	(62 232)	(26 318)
Income tax	3 265	3 063
Net profit from continued operation	(58 967)	(23 255)
Net profit (loss) from discontinued operations	-	-
Net profit for the period	(58 967)	(23 255)
Attributable to:		
Shareholders of Parent entity	(58 796)	(22 925)
Non-controlling interest	(171)	(330)
Profit per share attributable to shareholders of parent company in the period (PLN per share)		
- basic	(0,68)	(0,26)
- diluted	(0,57)	(0,22)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.01.2022 - 31.03.2022 Unaudited	1.01.2021 - 31.03.2021 Unaudited
Net profit for the period	(58 967)	(23 255)
Other comprehensive income:		
Other net comprehensive income that will be reclassified to profit or loss:	2 339	(3 417)
Foreign exchange differences on translation of foreign operations	2 339	(3 417)
Total other comprehensive income	2 339	(3 417)
Total comprehensive income for the period	(56 628)	(26 672)
Attributable to:		
Shareholders of Parent entity	(56 470)	(26 328)
Non-controlling interest	(158)	(344)

CONSOLIDATED BALANCE SHEET

	Note	31.03.2022 Unaudited	31.12.2021 Audited
ASSETS			
Non-current assets		540 033	560 778
Tangible non-current assets		264 346	265 929
Intangible assets		4 730	4 027
Goodwill from consolidation	23	159 940	181 589
Investment properties		34 879	34 905
Other financial assets		8 819	8 466
Deferred tax assets		60 149	57 889
Long-term receivables		13	32
Prepayments		7 157	7 941
Current assets		735 927	817 784
Inventory		128 036	107 272
Trade and other receivables		282 485	331 396
Income tax receivables		1 995	1 660
Other financial assets		38 659	36 663
Cash and cash equivalents		32 878	126 946
Prepayments		17 928	15 153
Contracts with customers assets		232 703	197 434
Assets held for sale		1 243	1 260
TOTAL ASSETS		1 275 960	1 378 562
EQUITY AND LIABILITIES			
Equity attributable to shareholders of Parent entity		259 004	315 490
Share capital		69 161	69 161
Share premium		199 160	199 160
Revaluation reserve		5 580	5 580
Other capital reserves		(911)	(911)
Retained earnings		(45 244)	13 568
Foreign exchange differences on translation of foreign operations		31 258	28 932
Non-controlling interest		4 452	4 610
Total equity		263 456	320 100
Long-term liabilities		343 619	356 358
Interest-bearing loans and borrowings		289 568	301 754
Bonds		28 606	28 451
Provisions	25	14 386	13 563
Liabilities due to employee benefits		3 778	3 643
Provision for deferred tax		7 207	8 882
Deferred revenue		63	50
Other financial liabilities		11	15
Short-term liabilities		668 885	702 104
Interest-bearing loans and borrowings		139 805	92 334
Bonds		196	196
Trade and other liabilities		323 723	370 080
Provisions	25	41 131	37 381
Liabilities due to employee benefits		16 469	17 165
Deferred revenue		1 056	3 639
Contracts with customers liabilities		146 493	181 296
Liabilities of group to be classified as held for sale		12	13
Total equity and liabilities		1 275 960	1 378 562

CONSOLIDATED STATEMENT OF CASH-FLOWS

	1.01.2022 - 31.03.2022 Unaudited	1.01.2021 - 31.03.2021 Unaudited
<i>Cash flows from operating activities</i>		
Gross profit from continued operations	(62 232)	(26 318)
Gross profit (loss) from discontinued operations	-	-
Adjustments for:	(51 779)	(45 247)
Depreciation	8 983	9 352
FX differences	769	352
Net interest and dividends	5 969	3 230
Profit on investment activities	21 253	(937)
Change in receivables	50 164	18 101
Change in inventory	(20 355)	(838)
Change in liabilities, excluding loans and borrowings	(47 352)	(44 498)
Change in prepayments and accruals	(4 526)	(308)
Change in provisions	4 405	(813)
Change in settlements in contracts	(70 169)	(28 504)
Income tax paid	(344)	(234)
Other	(1 180)	(159)
Foreign exchange differences on translation of foreign operations	604	9
Net cash flows from operating activities	(114 011)	(71 565)
<i>Cash flows from investment activities</i>		
Purchase of intangible assets	(1 001)	(1 166)
Sale of tangible non-current assets	2 316	54 060
Purchase of tangible non-current assets	(3 215)	(3 274)
Returned financial assets	3 249	1
Purchase of financial assets	(5 243)	(4 978)
Interest received	5	65
Net cash flows from investment activities	(3 889)	44 708
<i>Cash flows from financial activities</i>		
Proceeds on account of taken borrowings and loans	37 582	12 192
Repayment of borrowings and loans	(2 039)	(43 566)
Dividend paid to non-controlling interests	(597)	-
Interest paid	(5 420)	(3 206)
Payment of liabilities under financial lease agreements	(5 694)	(4 069)
Net cash flows from financial activities	23 832	(38 649)
Total net cash flows	(94 068)	(65 506)
Cash at start of period	126 946	135 906
Cash at end of period	32 878	70 400
- with limited access	7 526	-

The cash excluded from the cash flow statement as at March 31, 2021 in the amount of PLN 408 thousand relates to blocked funds on the property development project accounts. As at March 31, 2022 – no cash was excluded from the cash flow statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of Parent entity								
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals	Retained earnings	Foreign exchange differences on translation of foreign operations	Total	Non-controlling interest	Total
As at 1.01.2022 Audited	69 161	199 160	5 580	(911)	13 568	28 932	315 490	4 610	320 100
Net profit for the period	-	-	-	-	(58 796)	-	(58 796)	(171)	(58 967)
Other comprehensive income	-	-	-	-	-	2 326	2 326	13	2 339
Total comprehensive income	-	-	-	-	(58 796)	2 326	(56 470)	(158)	(56 628)
Other comprehensive income	-	-	-	-	(16)	-	(16)	-	(16)
As at 31.03.2022 Unaudited	69 161	199 160	5 580	(911)	(45 244)	31 258	259 004	4 452	263 456
As at 1.01.2021 Modified*	69 161	269 641	7 082	(1 020)	(48 451)	35 181	331 594	5 522	337 116
Net profit for the period	-	-	-	-	(22 925)	-	(22 925)	(330)	(23 255)
Other comprehensive income	-	-	-	-	-	(3 431)	(3 431)	14	(3 417)
Total comprehensive income	-	-	-	-	(22 925)	(3 431)	(26 356)	(316)	(26 672)
As at 31.03.2021 Unaudited	69 161	269 641	7 082	(1 020)	(71 376)	31 750	305 238	5 206	310 444

Equity attributable to shareholders of Parent entity

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals	Retained earnings	Foreign exchange differences on translation of foreign operations	Total	Non-controlling interest	Total
As at 1.01.2021 Modified*	69 161	269 641	7 082	(1 020)	(48 451)	35 181	331 594	5 522	337 116
Net profit for the period	-	-	-	-	(11 421)	-	(11 421)	(162)	(11 583)
Other comprehensive income	-	-	-	109	1 607	(6 249)	(4 533)	88	(4 445)
Total comprehensive income	-	-	-	109	(9 814)	(6 249)	(15 954)	(74)	(16 028)
Distribution of profit	-	(70 481)	-	-	70 481	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(889)	(889)
Other comprehensive income	-	-	(1 502)	-	1 352	-	(150)	51	(99)
As at 31.12.2021 Audited	69 161	199 160	5 580	(911)	13 568	28 932	315 490	4 610	320 100

*The restatement comprises presentation change of equity in consolidated balance sheet of the Group (note 13 hereof)

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

These consolidated financial statements of the Group comprise the period of 3 months ended March 31, 2022 as well as comparable data.

The Trakcja Group ("Group") consists of the Parent Company Trakcja S.A. with its registered office in Poland ("Trakcja", "Parent Company", "Company", "Parent Entity", "Issuer") and its subsidiaries.

Trakcja S.A. ("Company", "Trakcja", "Issuer") was registered in the National Court Register kept by the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register in Poland on January 29, 2002.

The Parent Company was established for an indefinite period and operates on the basis of the provisions of the Code of Commercial Partnerships and Companies and other laws relating to commercial companies, as well as the provisions of the Statute and other internal regulations.

Company name:	Trakcja Spółka Akcyjna
Headquarters and address:	Al. Jerozolimskie 100, 2nd floor, 00-807 Warsaw
Duration of the Company:	indefinite
KRS:	0000084266
REGON:	010952900
NIP (Tax Identification Number):	525-000-24-39
LEI:	259400IOJQXO1TS70C40
PKD code:	4212Z

Period of time	The current name of the company
29.01.2002 - 30.11.2004	Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A.
30.11.2004 - 10.12.2007	Trakcja Polska - PKRE S.A.
10.12.2007 - 22.06.2011	Trakcja Polska S.A.
22.06.2011 - 21.12.2012	Trakcja - Tiltra S.A.
21.12.2012 - 19.12.2013	Trakcja S.A.
19.12.2013 - 29.07.2020	Trakcja PRKiI S.A.
29.07.2020 - now	Trakcja S.A.

The activities of the Parent Company are mainly specialized construction and assembly services for railway, road, tram, bridge and energy infrastructure.

The Parent Company shall specialize in the following activities:

- construction and renovation of tracks,
- foundation and network works,
- installation of traction substations and section cabs,
- installation of high and low voltage, overhead and cable lines,
- mounting of power and local control cables,
- manufacture of products (high, medium and low voltage switchgears, traction network and local control equipment),
- specialist equipment services (excavators, railway and truck cranes, boring rigs, pile drivers),
- construction of bridges, viaducts, piers, overpasses, tunnels, underground passes, roads and accompanying elements of the rail and road infrastructure,

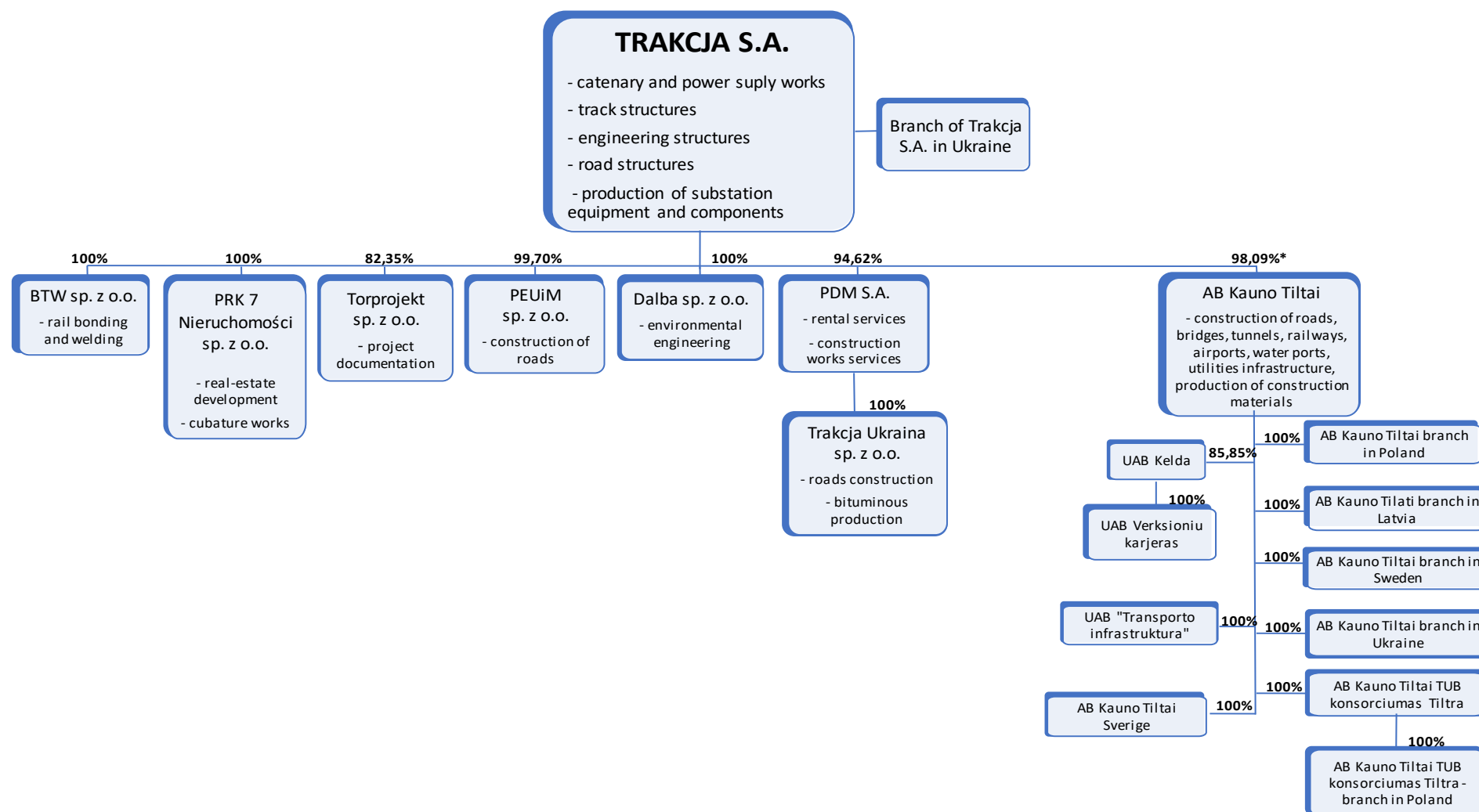
- construction and modernization of tram and trolleybus infrastructure.

Trakcja S.A. is the Parent Company within Trakcja Group. The ultimate Parent Company is the Spanish company COMSA S.A.U. ("COMSA"), which draws up consolidated financial statements also covering the data of the Trakcja Group.

These annual financial statements were approved for publication by the Management Board of the Parent Company on May 27, 2022.

2. Group structure

As at March 31, 2022 the Group consists of Parent Company Trakcja S.A. and its subsidiaries. The Group's composition and structure is presented in the diagram below:



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

3. Description of the changes in the structure of the Group and an indication of their effects

During the first quarter of 2022 there were no changes in the structure of the Group, including the result of a business merger, acquisition or loss of control of subsidiaries and long-term investments, as well as the division, restructuring or discontinuation of activities.

In connection with the armed conflict in Ukraine, risks were identified in relation to the activities of the subsidiary Trakcja Ukraina sp. z o.o. based in Kiev regarding the possibility of the following events occurring after the balance sheet date:

- impairment of non-financial assets;
- lack of operational capacity;
- loss of control.

At the time of publication of these financial statements, the Group is not aware of any possibility of the above risks. None of the above events, in the event of its occurrence, will have any major influence on the Company's and the Trakcja Group financial statements.

4. Parent Company's Management Board

As at March 31, 2022, the Parent Company's Management Board was composed of the following members:

- | | |
|-------------------------|---|
| • Jakub Lechowicz | - President of the Management Board; |
| • Paweł Nogalski | - Vice-President of the Management Board; |
| • Arkadiusz Arciszewski | - Vice-President of the Management Board; |
| • Piotr Mechecki | - Vice-President of the Management Board; |
| • Jacek Gdański | - Vice-President of the Management Board. |

On March 11, 2022, three members of the Management Board were revoked: Mr. Marcin Lewandowski – President of the Management Board, Mr. Aldas Rusevičius – Vice President of the Management Board and Mr. Adam Stolarz – Member of the Management Board. At the same time, new members were appointed: Mr. Jakub Lechowicz as President of the Management Board, Mr. Piotr Mechecki as Vice President of the Management Board and Mr. Jacek Gdański as Vice President of the Management Board.

Apart from the above mentioned, there were no changes in the composition of the Company's Management Board after the balance sheet date.

5. Parent Company's Supervisory Board

As at March 31, 2022, the Parent Company's Supervisory Board was composed of the following members:

- | | |
|------------------------------|---|
| • Dominik Radziwiłł | - Chairman of the Supervisory Board; |
| • Jorge Miarnau Montserrat | - Deputy Chairman of the Supervisory Board; |
| • Magdalena Komaracka | - Deputy Chairman of the Supervisory Board; |
| • Krzysztof Tenerowicz | - Member of the Supervisory Board; |
| • Klaudia Budzisz | - Member of the Supervisory Board; |
| • Miquel Llevat Vallespinosa | - Member of the Supervisory Board; |
| • Julio Alvarez Lopez | - Member of the Supervisory Board. |

During the period as well as after the balance sheet date, there were no other changes in the composition of the Supervisory Board until the date of publication of these financial statements.

6. Shareholders of the Parent Company

As at March 31, 2022, the share capital of the Company, according to the entry in the National Court Register, was:

- 51,399,548 series A bearer shares;
- 10,279,909 series B bearer shares;
- 12,355,891 series C bearer shares;
- 12,435,628 series C registered shares.

The nominal value of the share is PLN 0.80. Each share constitutes one vote at the Issuer's General Meeting. All shares are fully paid-up.

To the knowledge of the Issuer's Management Board, on the basis of the notifications received as set out in Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, the structure of the shareholders owning directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company ("GM") as at the date of approval of these financial statements for publication is as follows:

Shareholders	Number of shares	% in share capital	Number of votes	% in votes at GM
COMSA S.A.U.	28 399 145	32,85%	28 399 145	32,85%
Agencja Rozwoju Przemysłu S.A. ¹	16 117 647	18,64%	16 117 647	18,64%
Other	41 934 184	48,51%	41 934 184	48,51%
Total	86 450 976	100,00%	86 450 976	100,00%

¹ According to the information provided by ARP (about which the Parent Company informed in the current report 11/2021 and in the consolidated report for the first half of 2021), PKP PLK exceeded 15% of the total number of votes in the Company by addition of the votes held by the ARP as a result of agreement concluded by ARP and PKP PLK, referred to in Article 87(1)(5) of the Act on Public Offering.

From the date of publication of the last periodic report, i.e. April 27, 2022, to the date of publication of this report, the Parent Company has not received any notification under Article 69 of the Act on Public Offering.

Events leading to an increase in capital in the Parent Company

In note no. 10, items 1-5 concerning the solicitation of capital funding, events have been presented which lead to the increase of the Parent Company's capital. On 27 May 2022, the Parent Company informed as to the convening of an Extraordinary Meeting of Shareholders of Trakcja S.A. for the purpose of adopting a resolution on the increase of the Company's share capital by the issue of ordinary bearer series E shares through private subscription, with the complete exclusion of pre-emptive rights of the to-date shareholders; dematerialization of series E shares; and amendments to the Memorandum. Detailed information has been presented in Current Report no. 29/2022.

Bonds convertible to shares

On February 6, 2020, by the decision of the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, a conditional increase in the Parent Company's share capital was entered into the commercial register. In connection with the foregoing, the Parent Company's share capital was conditionally increased from PLN 69,160,780.80 by an amount no higher than PLN 13,023,288 by way of issuing no more than 16,279 series D ordinary bearer shares with a nominal value of PLN 0.80 each. Series D shares may be subscribed by holders of convertible Series F and G bonds, which the Parent Company issued on May 8, 2020.

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

From the date of publication of the annual report, i.e. from April 27, 2022, 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 Parent Company on May 27, 2022.

9. Significant values based on professional judgement and estimates

Significant values based on professional judgement and estimates are described in detail in individual notes to the consolidated annual financial statements of Trakcja Group for 2021. In the period of 3 months of 2022, no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at March 31, 2022.

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 3.22 to the consolidated financial statements for 2021.

In the first quarter of 2022, the Group has not changed the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

Investment properties

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

Allocation of goodwill to cash generating units

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

Classification of joint contractual arrangements

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

Control over related parties

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

Trakcja is the sole shareholder in PRK 7 Nieruchomości sp. z o.o. ("PRK 7 Nieruchomości") and has full control over the subsidiary. Trakcja S.A. has become the shareholder in PRK 7 Nieruchomości as a result of the merger between Trakcja S.A. and PRK 7 S.A. which in turn owned PRK 7 Nieruchomości sp. z o.o.

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

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

Trakcja holds 99.70% of shares in PEUiM sp. z o.o. ("PEUiM") and has full control over the subsidiary. Trakcja S.A. has become the owner of PEUiM through the acquisition of its shares.

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

Trakcja holds 94.62% of shares in Platforma Działalności Międzynarodowej S.A. ("PDM") and has full control over the subsidiary. Trakcja S.A. has become the owner of PDM through the acquisition of its shares.

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

The Group's composition and shareholdings are presented in Note 2 on the Group composition and structure.

9.2. Uncertainty of estimates

Measurement of long-term construction contracts

The Parent Company measures long-term construction contracts based on the input-based method, where it recognizes revenue based on costs incurred as compared to the total expected expenditure required to fulfill the performance obligation. Individual contract budgets are subject to a formal updating process based on current information, but no more frequently than once a quarter. If the cost incurred is not proportional to the degree in which the performance obligation is fulfilled, the Parent Company – in order to better reflect the degree in which the obligation is fulfilled – adjusts the effort-based method so as to recognize only those revenues that correspond to the costs incurred.

If the Company is unable to measure the results of fulfilling a performance obligation in a rational manner, then the revenue earned on account of that contract is recognized only up to the amount of costs incurred that the Company expects to recover.

Valorisation of contractual remuneration within construction contracts

In contract budget, the Group includes remuneration for the valorisation of contractual remuneration (price increase index (defined in the agreement) in relations to the state as at the date of conclusion of an individual contract), as long as it is stated in the contract, and recognizes this particular remuneration as revenue – adequately to the progress of work at given contract.

The principles of contractual valorisation are determined individually in agreements for separate projects and the Group calculates additional remuneration for valorisation based on contractual provisions.

Certain agreements contain a maximum limit to which valorization can be calculated. Provisions for valorisation, even in the case of contracts with the same customers, vary depending on the date of their conclusion. Valorisation on individual contracts refers to various indicators published by the GUS (Główny Urząd Statystyczny; eng. Central Statistical Office) depending on the provision in each contract. In several contracts, the payment for additional remuneration as a result of valorisation depends on the minimum value of the above-mentioned indicators or on the fulfilment of the condition of work progress in accordance with the material and financial schedule.

As at the date of approval of this report for publication, not all of the Group's submitted applications regarding valorization have been considered, and among those considered - only a part has been accepted. The calculation of the valorisation amount is complex, and in the case of some contractual provisions there are differences of

interpretation between the Group and its clients, which in the opinion of the Management Board of the Parent Company is a phenomenon typical for the entire infrastructure construction industry. The position of the Management Board of the Parent Company regarding the right to valorisation and the method of calculating the amounts due to the Group is supported by the opinions of external advisors and emerging court case law (in favor of companies – contractors of construction services) relating to contracts of other entities in which similar provisions in the field of valorisation as in the Group's contracts were concluded.

Due to the lack of uniform market standards for determining the amounts of valorization, the calculation of remuneration for valorization is fraught with risk and uncertainty of the estimate made.

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 notable 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 based on their course. The balance sheet amount of provisions for contractual penalties as at March 31, 2022 was presented in the total amount of provisions in Note 25 of this report.

Measurement of employee benefit liabilities

Any employee benefit liabilities for retirement allowances and jubilee bonuses in the current period are estimated based on actuarial methods. The amount of liability depends on numerous factors which are applied as assumptions in the actuarial method. Key assumptions for determining the amount of liability are the discount rate and the average expected increase in wages.

Deferred tax assets

The Group recognises a deferred tax asset assuming that in the future a taxable profit is generated that will allow for its use. Any deterioration in the future taxable profits may result in the assumption becoming unjustified. The Parent Company's Management Board verifies the estimated recoverability of deferred tax assets based on changes in the factors taken into account, new information and past experiences.

The likelihood that deferred tax assets will be utilised against future taxable profits is assumed in the Group's forecast. The Group members recognise deferred tax assets up to the amount corresponding to the likely amount of future taxable profit that will allow for negative temporary differences to be deducted. The Group's companies, which generated losses in the past and whose financial forecast does not project future taxable profits that would allow for negative temporary differences to be deducted, do not recognise any deferred tax assets in their books.

Amortisation and depreciation rates

Depreciation and amortisation rates are determined based on 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 3-month period ended March 31, 2022, no significant changes were made to the 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 March 31, 2022, there were no indications of a possible change in the value of investment properties, therefore the Group did not make a valuation as at that date.

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") based on future cash flows generated by such units, which are next adjusted to their present value with the use of a discount rate. As at March 31, 2022, there were indications of impairment of some cash-generating units, and the Group carried out a test on this day. Detailed information was included in Note 23 herein.

Impairment of financial assets

In assessing whether financial assets have been impaired, available and generally used methods of valuation were employed, considering forecasts of the shaping of future Company cash flows in connection with the held assets.

Impairment of inventories

The Management Board assesses whether there are any indications of possible impairment of real estate inventories in accordance with Note 3.8 of the Additional information and notes to the annual consolidated financial statements for 2021. For that purpose, the Company estimates the net realisable value of those inventories that lost their functional properties or are no longer useful. The change the write of inventories is presented in Note 24 of this report.

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. Change of expected credit loss was detailed in Note 24 herein.

Fair value and its measurement

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Group measures the fair value of assets or liabilities, to the extent possible, based on the market data observable. The detailed information on the items measured at fair value is presented in Note 29. Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 3.4 and Note 3.23 of the Notes to the consolidated financial statements for 2021.

10. Risk to the Parent Company's ability to continue as a going concern and measures taken and planned by the Management Board

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

With reference to note 1.7 of the annual standalone financial statements of Trakcja for the financial year which ended December 31, 2021, note 1.8 of annual consolidated financial statements of the Trakcja Group for the financial year which ended December 31, 2021, the Management Board of the Parent Company provides the following update regarding the matters referred to in the aforementioned notes to the financial statements.

Going concern

These consolidated financial statements for the three-month period ended March 31, 2022 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 for the Parent Company was unjustified.

The Management Board of Trakcja presented the following information on the current financial standing of the Parent Company, indicating the risk to the Parent 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 3 months ended on March 31, 2022, the Parent Company recorded net loss of PLN 35,311 thousand, and the net working capital amounted to PLN 1,509 thousand.

As at March 31, 2022, financial liabilities due to credits and loans, leasing and bonds of the Parent Company amounted to PLN 418,562 thousand (long-term part amounted to PLN 332,016 thousand, short-term part to PLN 96,546 thousand) and in comparable period as at December 31, 2021 it amounted to PLN 410,378 thousand (long-term part amounted to PLN 332,326 thousand, short-term part to PLN 78,052 thousand). During the first quarter there was a rise in WIBOR interest rates, that are used to calculate the amount of liabilities from interest paid to financial institutions, which resulted in higher debt service costs in the quarter. Current situation will also have an impact on the increase of these costs in subsequent periods. The Company identifies the risk of a further WIBOR interest rise, that may affect the risk to the going concern.

As at March 31, 2022, trade and other liabilities amounted to PLN 241,610 thousand, including trade and services liabilities and amounts equal to PLN 184,552 thousand, of which outstanding PLN 53,349 thousand, which were higher compared to the amount as at December 31, 2021 (trade and services liabilities and retained amounts as at December 31, 2021 amounted to PLN 18,899 thousand).

In view of the above factors, there is a risk to the Company's ability to continue as a going concern.

General situation of the Parent Company

The Parent Company's performance for the period of 3 months ended March 31, 2022 was as follows:

- gross profit on sales: PLN -11,753 thousand (I quarter of 2021: PLN 2,630 thousand);
- EBITDA: PLN -15,791 thousand (I quarter of 2021: PLN 1,518 thousand);
- net profit: PLN -35,311 thousand (I quarter 2021: PLN -6,675 thousand);
- equity: PLN 248,429 thousand (as at 31.12.2021: PLN 283,734 thousand).

Implementation of projects optimizing the Parent Company's activities

During 2022 and to the day of publication, the Parent Company continued to implement Stage II of the Recovery Plan scheduled for 2020-2021. The initiatives included in the Recovery Plan aim at among others to achieve financial benefits for the Parent company, streamline internal procedures and optimize internal structure. Furthermore, in accordance with the financing documentation, the Parent Company provides the facility agent (mBank S.A.) at least

once a month with the Management's Board report on the implementation of the Recovery Plan, additionally verified by a consultant.

Continued negotiations on claims

During the first quarter of 2022 the Management Board of the Parent Company continued negotiations with PKP Polskie Linie Kolejowe S.A. ("PKP PLK") for the settlement of court disputes. As at the publication date hereof, the value of contractual claims pursued by Trakcja, its consortium partners and subcontractors in court against PKP PLK amounts to approximately PLN 158.6 million in total (the gross amount with capitalized interest as at the date when the claim was filed), including the amount due to Trakcja being approximately PLN 120.3 million.

For the part of the contractual claims described above, the Parent Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as part of mediations at the Arbitration Court by the General Prosecutor's Office of the Republic of Poland for the amount of PLN 139.2 million (the gross amount with capitalized interest as at the date when the claim was filed), including the amount due to Trakcja – approximately PLN 106.9 million.

During the first quarter of 2022 and after the balance sheet date, mediation meetings were held, as regards court litigation and foundation piles. The parties are in the midst of negotiating the value of the mediation settlement and contents of the settlement itself. Any tests agreed by the parties, including the tests conducted by Instytut Kolejnictwa [Railways Institute] have been performed and constitute the basis of drafting the settlement as regards foundation piles. At this stage, the Company's Management Board is not in a position to define the date of finalizing the mediation and its impact on financial performance.

As at March 31, 2022, the value of other contractual claims which the Company is pursuing, together with consortium partners and subcontractors, on a contractual basis (out of court) amounts to PLN 429.7 million, including the amount due to Trakcja being PLN 379.1 million.

The order portfolio of the Parent Company

The Company's order portfolio as at March 31, 2022 amounted to PLN 1,479 million (excluding part of the revenues attributable to the consortium members). In the first quarter of 2022, Trakcja S.A. signed construction contracts with a total value of PLN 68.2 million (excluding value of works attributable to the consortium members).

Solicited new significant contracts

- a) on January 5, 2022, Trakcja S.A. signed a contract for "Development of the road and rail system in the Ogródowa - Północna Streets from Zachodnia Street to Franciszkańska Street along with the reconstruction of the tram loop in Północna Street; details are given in the current report 1/2022 (contract value – PLN 37.0 million net);
- b) on March 14, 2022, Trakcja S.A. signed a contract for the "Reconstruction of the Plac Wolności with the technical infrastructure, transfer and maintenance of the spring, small architecture and planting, and construction of a roof above entrance to the Kanał „Dętka” Museum - Branch of the Muzeum Miasta Łodzi"; details are given in the current report 13/2022 (total contract value – PLN 28.8 million net, including: contract value – PLN 27.2 million and conditional amount of PLN 1.6 million);
- c) on March 16, 2022, Trakcja S.A. signed a contract for "Restoration of water supply network with connections on Plac Wolności in Łódź" (contract value – PLN 2.4 million net).

Active liquidity management policy of the Parent Company

In addition to measures aimed at improving financial results in the future, the Management Board of the Parent Company pays close attention to the Parent Company's liquidity situation. Trakcja pursues an active liquidity management policy, monitoring on an ongoing basis short-term and long-term liquidity, and also carries out weekly cash flow monitoring in order to maintain a stable level of available funds. For the purpose of maintaining liquidity, the Parent Company takes measures aimed at acquiring contracts where advance payments are stipulated. Further, Trakcja pursues an active policy of maintaining a low level of receivables, inventory management, sale of key materials to contracting entities at the initial stage of contract implementation and negotiates with subcontractors to extend

payment deadlines. The Parent Company puts great emphasis on optimization of invoicing procedures by reducing the time between the completion of works and issuance of the invoice for performed works.

On 7 January 2022, the Company received proceeds in the amount of PLN 14,929 thousand, i.e. one third of the dividend adopted by the General Meeting of its subsidiary, AB Kauno Tiltai on 23 December 2021, as informed by the Company in Current Report no. 57/2012.

As at March 31, 2022, Trakcja held cash and cash equivalents in the amount of PLN 22,118 thousand and unused credit lines in the amount of PLN 8,658 thousand.

As at May 24, 2022, the Parent Company held cash in the amount of PLN 9,721 thousand and has unused credit lines in the amount of PLN 4 thousand.

On the basis of the data and assumptions adopted at the time of publication of these financial statements, a financial gap in the amount of about PLN 178 - 240 million was identified for the Parent Company (the financial gap presented in the financial statements for 2021 was PLN 116 - 176 million). The estimated amount was reported without the recapitalization of the Parent Company (referred to in current reports No 14/2021, 37/2021, 40/2021, 49/2021, 58/2021, 17/2022, 24/2022, 29/2022). The Parent Company indicates that the value provided is an estimate and imprecise information that varies over time depending on the assumptions made for future events and the high risk of volatility over time.

If the subsequent steps in the financing and refinancing process fail, the continued operation of the Parent Company will be jeopardized in the opinion of the Management Board of the Parent Company.

New sources of financing

During the first quarter of 2022 and until the date of publication of these financial statements, the Parent Company carried out intensive activities to obtain capital and debt financing, which would cover the financial gap referred to above. That shall include in particular:

1. On January 31, 2022, ARP - shareholder representing at least one twentieth of the share capital of the Company - submitted a request to convene the Extraordinary Meeting of Shareholders of the Company for April 8, 2022. Detailed information is provided in current report No 6/2022;
2. On January 31, 2022, the Parent Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for April 8, 2022. Detailed information is provided in current report No 7/2022;
3. On April 8, 2022, the Parent Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for May 6, 2022, in order to "take a resolution on the increase in share capital of the Parent Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute." Detailed information is provided in current report No 19/2022.
4. On May 6, 2022, the Parent Company informed that the EGM of the Company convened on May 6, 2022 ordered a break in the meeting until June 2, 2022. The break was ordered due to the request for the break in the EGM submitted by the shareholder ARP. Detailed information provided in current report No 24/2022.
5. On May 27, 2022, the Parent Company informed about convening the EGM of Trakcja S.A. on June 23, 2022 in order to adopt of a resolution on the increase of the Company's share capital by the issue of ordinary bearer series E shares through private subscription, with the complete exclusion of pre-emptive rights of the to-date shareholders; dematerialization of series E shares and on the amendment to Company's Memorandum. Detailed information provided in current report no 29/2022.

SARS CoV-2 risk

Despite the fact that as at the date of drafting this report there exists a state of epidemic hazard, both counterparties and financial institutions are maintaining business continuity. The to-date actions taken by the Group have proven to be correct and effective. Construction work under contracts is conducted in a continuous manner. As at the date of

approval of this report for publication, the Group has not found a material impact of the COVID-19 coronavirus on the Group's financial and economic situation or on its financial performance. The Trakcja Management Board is constantly monitoring the risk of an adverse impact of the pandemic on the Group's activities, and should there be any material impact of the pandemic on the Group's financial and economic situation, it shall advise stakeholders by way of a relevant press release.

Action taken by the Parent Company within the framework of reviewing strategic options

The Parent Company is in the process of reviewing strategic options. The Management Board is in the process of analyzing the Parent Company's assets and areas of activity of the Issuer's group with a view of divestments as regards the potential sale of shares or stock held in subsidiaries. The above-mentioned review of strategic options is being conducted in parallel to the process of increasing the share capital (as informed by the Company in Current Report no. 21/2021). As at the date of publishing this report, no decisions have been reached as to the implementation of options in this regard.

Risk of non-achievement of contractual financial indicators

In connection with the signing on June 17, 2021 of a number of annexes to the agreements referred to in the current report No 20/2021 Trakcja is obliged to observe the financial indicators (hereinafter referred to as "Covenants") related to the current financial situation of the Company and the Group. The agreement specified that the first verification of whether the Company and the Group fulfilled the Covenants would take place on December 31, 2021, further verifications to occur on a quarterly basis (the Company) and on yearly basis (the Group). On the basis of the annexes to the above-mentioned agreements concluded on December 20, 2021, about which the Company informed in the current report No 53/2021, the date of the first verification of the fulfillment of the Covenants was postponed to June 30, 2022. In the event of the risk of non-compliance with the Covenants as at June 30, 2022, the Parent Company requested a further postponement of the testing dates of the Covenants to December 31, 2022.

Risk of failure

The Management Board of the Parent Company has prepared the financial statements on the assumption of going concern in a period of at least 12 months from the date when these financial statements have been approved for publication. The continuation of the Parent Company's activity depends on the effective implementation of the financial gap coverage process as a result of the steps in the refinancing of the business, which includes both equity, debt and guarantee instruments. The Management Board of the Parent Company is particularly aware that there is a serious risk of non-compliance with conditional agreement concluded between ARP, PKP PLK and the State Treasury of the Republic of Poland — Minister of Infrastructure, concerning mainly the involvement in the Parent Company, in which PKP PLK undertook to subscribe to 250 million E-series shares of the Parent Company for a total issue price of PLN 200 million. There is also a risk that, in the event of the failure to effect the recapitalization of the Parent Company, the proceeds from the possible sale of AB Kauno Tiltai or other non-operational assets and of the shares in related entities identified in the strategic option review, will not be sufficient to cover in full the estimated financial gap.

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

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

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

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

2. reduction of the risk of the success of the capital increase through subscription of 250 million shares of the E-series - the Parent Company has taken parallel steps to dispose of the key assets of the Parent Company as an alternative to cover the financial gap;
3. conducting operational restructuring involving the sale of assets that are not used in the core operating activities, inter alia shares in related entities and tangible fixed assets.
4. limitation of the activities of the Parent Company.

Risk associated with the war in Ukraine

Notwithstanding the foregoing, the Parent Company identified the risk of outbreak, after the balance sheet date, of a war on the territory of Ukraine. Since the beginning of the war events in Ukraine, the Company has continuously and thoroughly analyzes the impact of the above events on areas of potential risks that could significantly affect the activities and future financial results of the Company and the Capital Group. Accordingly, during the first quarter of 2022:

1. The purchase plans on the contracts of the Company were analyzed, with the result that the risks of a sudden and high increases in the prices of the materials used in the contracts carried out by the Trakcja Group have been updated, including mainly metallurgical products, rails, structural steel, reinforcing steel, but also increases in prices of railway sleepers, turnouts, aluminum and copper cables, concrete products, asphalt masses and other materials, including fuels. This risk may affect the valuation and profitability of construction contracts carried out by the Trakcja Group in 2022.
2. Potential risks have been identified that could have an impact on the timetable for the implementation of the Company's contracts, due to possible difficulties in connection with the unavailability or accessibility of employees, in particular those who are citizens of Ukraine employed by the Company's subcontractors, as a result of the widespread mobilization in Ukraine.
3. A significant impact on the evolution of the cost of the factors of production has been identified, namely a weakening of the PLN rate vis-à-vis the EUR and USD, as a result of which there is a risk of the inflationary pressure involved. As a consequence, there may be a further increase in interest rates, which would affect the financial costs of the Company and the Trakcja Group.
4. There were no significant distortions regarding the limits of the refueling introduced by PKN ORLEN S.A. Fuel delivery schedules and monitoring of the Group's daily demand cycle are established on an ongoing basis, which allows as at the date of approval of these financial statements for publication, to maintain the expected equipment and transport performance.
5. The Company keeps under constant review the activities of the Group, in particular the impact on the parties' contractual obligations in the context of the situation and the risks associated with it.
6. Risks (which, if any, will not have a significant impact on the financial statements of the Trakcja Group) have also been identified in relation to the activities of Trakcja Ukraina sp. z o.o. subsidiary based in Kiev, which in the first quarter of 2022 did not carry out significant operational activities. In view of the ongoing military activities, these risks are:
 - impairment of non-financial assets of the subsidiary;
 - the lack of operational capacity of the subsidiary;
 - loss of control over the subsidiary.

Taking above-mentioned risks into account, the Parent Company shall publish a current report, if there will be any significant impact on financial data of the Company and the Group.

11. Basis for preparation of the condensed consolidated financial statements

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

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

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 the AB Kauno Tiltai Group and 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., BTW sp. z o.o. and Trakcja Ukraina sp. z o.o. are consolidated using full consolidation method.

All balances and transactions between Group entities, including unrealized profits resulting from transactions within the Group, have been fully eliminated. Unrealized losses are eliminated unless they are evidence of impairment.

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 of the acquired share in the net assets is recognised in equity.

12. Statement of compliance

The condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRSs") approved by the European Union. As at the balance sheet date, there are no significant differences between the standards used by the Group and the standards approved by the European Union.

The IFRSs comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Measurement currency and reporting currency

The Polish zloty is the measurement currency of the Parent Company and those of the companies within the Group that are located in Poland, as well as the reporting currency. Measurement currencies of the Group's companies that operate abroad are as follows:

- the euro (EUR) for the companies with their registered offices in Lithuania;
- the Swiss crown (SEK) for AB Kauno Tiltai Sverige and a Branch of AB Kauno Tiltai in Sweden with their registered offices in Sweden;
- the Ukrainian hryvnia (UAH) for Trakcja Ukraina sp. z o.o., Trakcja S.A. Branch in Ukraine, a Branch of AB Kauno Tiltai in Ukraine.

13. Key accounting principles

Key accounting principles (policy) used to prepare these condensed consolidated financial statements for the first quarter of 2022 are consistent with those applied in the preparation of the annual consolidated financial statements for 2021, except the ones described below. Same principles were applied for current and comparable periods unless the standards or interpretation assumed prospective application only.

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

Amendments to standards applied for the first time in 2022

The Group has applied the following amendments to standards for the first time:

- Amendments to IFRS 3: amendments to the Reference to the Conceptual Framework (published 14 May 2020) - effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 16: Property, Plant and Equipment – proceeds before intended use (published 14 May 2020) - effective for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 37: Onerous contracts – Costs of Fulfilling a Contract (published 14 May 2020) - effective for annual periods beginning on or after 1 January 2022).
- Amendment to various standards “Annual Improvements to IFRSs 2018-2020 Cycle (published 14 May 2020) - effective for annual periods beginning on or after 1 January 2022)

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

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

- The IFRS as approved by the EU do not differ significantly from the measures adopted by the IASB, with the exception of the following standards and amendments thereto, which as at the date of drafting the report, have not been accepted yet for application.
- IFRS 14 — Regulatory Deferral Accounts – In accordance with the EU Commissions’ Decision, the process of approval of the standard in its preliminary form shall not be initiated before the standard is published in its final form (effective for annual periods beginning on or after 1 January 2016),
- Amendment to IFRS 10 — “Consolidated Financial Statements” and IAS 28 Investments in Associates and Joint Ventures” – Sales transactions or contribution of assets between the investor and its associate or joint venture- work leading to the approval of these amendments have been indefinitely postponed by the EU- the effective date has been postponed by the IASB for an indefinite period,
- Amendment to IAS 1 “Presentation of Financial Statements” – and classification of liabilities as short- or long-term - the effective date has been postponed (effective for annual periods beginning on or after 1 January 2023),
- Amendment to IAS 1 and Practice Statement 2: Disclosure of accounting policies (published 12 February 2021) (effective for annual periods beginning on or after 1 January 2023),
- Amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (effective for annual periods beginning on or after 1 January 2023),
- Amendment to IAS 12: IAS 12 “Income Tax”: Deferred Tax related to Assets and Liabilities arising from a single transaction (effective for annual periods beginning on or after January 2023).
- IFRS 17 “Insurance Contracts” – Initial application of IFRS 17 and IFRS 19 – Comparative Information- (effective for annual periods beginning on or after 1 January 2023),

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

Amendments introduced independently by the Group

In the consolidated financial statements for 2021 The Group made changes in the presentation of equity items as at December 31, 2021 and comparable data, i.e. as at December 31, 2020. The Group decided to introduce a presentation change, as in its opinion such presentation is more meaningful, comparable to other companies and reflects the Group’s individual equity positions in a better and more readable way. This is a presentation change and does not affect any financial indicators of the Group.

The changes in equity are presented below:

	31.12.2020		
	After change	Before change	Difference
Equity attributable to shareholders of Parent entity	331 594	331 594	-
Share capital	69 161	69 161	-
Share premium	269 641	-	269 641
Revaluation reserve	7 082	7 082	-
Other capital reserves	(1 020)	329 955	(330 975)
Retained earnings	-	(109 785)	109 785
Retained earnings	(48 451)	-	(48 451)
Foreign exchange differences on translation of foreign operations	35 181	35 181	-
Non-controlling interest	5 522	5 522	-
Total equity	337 116	337 116	-

14. Description of factors and events which bear a material impact on the Trakcja Group's financial performance for the first quarter of 2022

The Trakcja Group construction contract portfolio as at March 31, 2022 amounted to PLN 2,234 million (excluding proceeds for consortium members). During the first quarter of 2022 Trakcja Group companies signed construction contracts for a total value of PLN 177.1 million (excluding the value of work to be performed by consortium members). The current Trakcja Group contract portfolio as at March 31, 2022 assures the full utilization of manufacturing capacities. During the subsequent financial year, participation in new tenders in 2022 will enable the Group to secure its contact portfolio to a greater degree as regards subsequent periods.

A factor which had a material impact on sales revenues and on performance for the I quarter of 2022 was the seasonal nature of sales for entities operating in the construction industry – which is characterized by a lower level of achieved revenues during the first quarter of the year and the generation of the greater part of sales revenues during the second half of the year.

During the first quarter of 2022, the Trakcja Group achieved sales revenues in the amount of PLN 271,923 thousand, which have increased by PLN 84,977 thousand against the analogous period of 2021.

The increase of revenues was primarily the result of the situation within the AB Kauno Tiltai Group, which, during the first quarter of 2022, achieved revenues greater by PLN 68,091 thousand than for the analogous period last year. This was primarily caused by the performance of two contracts for building two sections of a physical barrier along the Lithuanian-Byelorussian border, which generated total revenue of PLN 79,186 thousand during the discussed period.

Revenue greater by PLN 6,723 thousand has also been achieved by PRK 7 Nieruchomości. This increase is both a result of a larger contract portfolio than in the analogous period and achievement of revenues from the sale of apartments within the framework of a developer investment.

Costs of sales have grown by PLN 94,694 thousand and amounted to PLN 290,679 thousand. The gross loss on sales amounted to PLN 18,756 thousand and increased by PLN 9,717 thousand against the analogous period last year. The margin of the gross sales result during the first quarter of 2022 has dropped by 2.1 p.p. and amounted to -6.9%, on the other hand, it achieved a level of -4.8% during the analogous period in 2021.

The primary factor which had an impact on the worsening of the sales gross result at the Trakcja Group for the first quarter of 2022 against the comparable period of 2021, was the worsening of performance within the Parent Company, which was described in great detail Note 10 to the abridged consolidated financial statements and Note 1 to the unit's abridged financial statements. All Group companies are under the pressure of the price increase of materials and services caused, Inter alia, by the war within Ukrainian territory.

General and administrative costs have reached PLN 15,849 thousand and increased by 10.5%, that is, by the amount of PLN 1,502 thousand against the first quarter of 2021. The increase of costs is primarily a result of the situation

within the Parent Company, which has experienced an increase of this item by PLN 1,371 thousand, which primarily follows from the creation of provisions for the payment of additional remuneration (In accordance with the provisions of managerial contracts) in the amount of PLN 1,172 thousand due to changes in the composition of the Management Board, which took place on March 11, 2022.

The balance of the Group's other operations achieved the value of PLN 1,237 thousand and decreased by the amount of PLN 956 thousand against the analogous period of 2021.

During the first quarter of 2022, the Group experienced a loss on operations in the amount of PLN 57,326 thousand. The loss on operations increased by PLN 34,593 thousand against the first quarter of 2021, when this loss had amounted to PLN 22,733 thousand. Apart from the above-described factors, creation of a write-off of the "Goodwill" in the Trakcja Group's consolidated balance sheet in the amount of PLN 22,753 thousand due to the impairment of goodwill of a company assigned to the CGU that includes the following subsidiaries: PEUiM, Dalba and PDM.

During January - March 2022, the Group's balance of financial operations reached a negative value of PLN 4,906 thousand, which constitutes a drop by the amount of PLN 1,321 thousand against the first quarter last year, when this balance amounted to PLN -3,585 thousand. The primary factor of the decrease of the balance is, primarily, the increase of financial costs in the form of interest on received credits and loans due to a significant increase in interest rates against the first quarter of 2021.

The Group experienced a gross loss in the amount of PLN 62,232 thousand from January 1, 2022 to March 31, 2022. The gross loss for the first quarter of 2022 increased by the amount of PLN 35,914 thousand against the first quarter of 2021, where this loss amounted to PLN 26,318 thousand. Income tax for the first quarter of 2022 has increased the net result by a value of PLN 3,265 thousand. The Group's net result for the period from January 1, 2022 to March 31, 2022 amounted to PLN -58,967 thousand. The net loss increased against the loss for the first quarter of 2021 by an amount of PLN 3,712 thousand.

As at March 31, 2022, the Group's balance sheet total achieved the level of PLN 1,275,960 thousand and was lower by 7.4% against the balance sheet total at the end of 2021.

Fixed assets decreased by the amount of PLN 20,745 thousand, i.e. by 3.7% of the value of fixed assets against that of December 31, 2021 and achieved a value of PLN 540,033 thousand. Current assets decreased by the amount of PLN 81,857 thousand, i.e. by 10.0% against the value of current assets as at December 31, 2021 and achieved the value of PLN 735,927 thousand.

The decrease of the value of fixed assets primarily resulted from the impairment of goodwill by PLN 21,649 thousand due to the creation of an impairment write-down in the amount of PLN 22,753 thousand as at March 31, 2022. On the other hand, deferred income tax assets have increased by PLN 2,260 thousand, and achieved a value of PLN 60,149 thousand at the end of the first quarter of 2022.

A drop in the value of current assets occurred primarily as a result of a decrease in cash and its equivalents by the amount of PLN 94,068 thousand, i.e. by 74.1% against December 31 2021. The value of receivables for supplies and services, as well as other receivables, which amounted to PLN 282,485 thousand have also decreased as at March 31, 2022 and was smaller by PLN 48,911 thousand from the value of receivables at the end of 2021. At the same time assets under contracts with customers experienced an increase by PLN 35,269 thousand, that is 17.9%, the value of which amounted to PLN 232,703 thousand at the end of the first quarter of 2022.

Total equity of the Group decreased by PLN 56,644 thousand during the first quarter of 2022 against that of December 31, 2021, which primarily follows the generated net loss in the amount of PLN 58,967 thousand during the first quarter of 2022.

Long-term liabilities as at March 31, 2022 achieved the value of PLN 343,619 thousand and were lower by PLN 12,739 thousand, i.e. by 3.6% against that of December 31, 2021. The value of interest-bearing credits and loans decreased by PLN 12,186 thousand which amounted to PLN 289,568 thousand at the end of the first quarter of 2022.

Short-term liabilities achieved the value of PLN 668,885 thousand and decreased by 4.7%, i.e. PLN 33,219 thousand against that of December 31, 2021. The drop was primarily associated with the decrease of the value of liabilities for

supplies and services by the amount of PLN 46,357 thousand. At the same time, liabilities under contracts with customers have decreased by the amount of PLN 34,803 thousand, achieving the value of PLN 146,493 thousand as at March 31, 2022. On the other hand, the value of short-term interest-bearing credits and loans has increased by PLN 47,471 thousand, which amounted to PLN 139,805 thousand at the end of the first quarter of 2022.

The Group commenced the year 2022 with cash presented in the consolidated cash flow statement in the amount of PLN 126,946 thousand, and finished the 3-month period of 2022 with cash in the amount of PLN 32,878 thousand. Net cash flows for the 3-month period of 2022 were negative and amounted to PLN -94,068 thousand, which constitutes a drop of PLN 28,562 thousand against the analogous period in 2021.

15. Seasonality and cyclicity

The sale of construction-assembly, repair, road and rail services in Poland is characterized by seasonality associated primarily with weather conditions. The highest revenues are usually achieved in the third and fourth quarters, while the lowest – in the first quarter.

16. Information on issuing, redeeming and repaying debt and equity securities

The Company did not issue, redeem or repay other debt and equity securities within the 3-months period ended March 31, 2022.

Trakcja holds bonds issued on May 8, 2020 in the total amount of PLN 27,674 thousand.

Bond series	Issue date	Redemption date	Nominal value of one bond (PLN)	Nominal value of the series (in thousands PLN)
F	08.05.2020	31.12.2023	1,7	20 000
G	08.05.2020	01.02.2024	1,7	7 674

*) In conjunction with Resolution No. 6 of the Extraordinary General Meeting of TRAKCJA Spółka Akcyjna of September 10, 2021 regarding the amendment of Resolution No. 3 of the Extraordinary General Meeting of the Company of December 10, 2019 on the issue of series F and G bonds convertible into series D shares, exclusion in full of the pre-emptive right of existing shareholders, in relations to series F and G bonds convertible into shares, new texts have been signed until the date of publication of this report uniform Terms and Conditions of Bond Issue, which take into account:

- a) changing the redemption date of the Series F Bonds from December 30, 2022 to December 31, 2023;
- b) changing the redemption date of the Series G Bonds from December 30, 2022 to February 1, 2024;
- c) changing the date of possible conversion of Series G Bonds into Series D shares, i.e. from February 1, 2022, the conversion of these Bonds into Series D Shares may be made at any time before the date of their redemption (currently, the conversion may take place no more than once a quarter).

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

In the opinion of the Management Board, in the 3-month period ended March 31, 2022, 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.

In the first quarter of 2022 the Company:

- as a result of investment impairment test in the subsidiary „PEUiM” found the impairment of this investment. Therefore, the Company decided to create a write-down of the value of „Investments in subsidiaries” in the Company's standalone balance sheet in the amount of PLN 12,003 thousand;
- as a result of goodwill impairment test allocated to cash-generating unit which includes subsidiaries PEUiM, Dalba and PDM, found the impairment of goodwill. Therefore, the Company decided to create a write-down in „Goodwill” in the consolidated balance sheet of Trakcja Group in the amount PLN 22,753 thousand.
- as result of the conducted cyclical review of ongoing construction contracts, their budgets have been updated in terms of their nature, amounts, temporal distribution and uncertainty as to revenues and cash flows resulting from their performance. During the budget updating, the opportunities and threats analysis has been conducted, which has identified technical, completion and liquidity risks as well as risks associated with the prolongation of project completion. The total amount of the conducted updating of contract budgets is negative, amounting to PLN 62,011 thousand. The impact of contractual budget updating is negative for the Company's EBIDTA and gross profit for the first quarter of 2022, amounting to PLN 20,732 thousand.

The creation of impairment write-downs is of a non-pecuniary nature and has no impact on the Company's and Group's liquidity.

The factors which had the most adverse impact on the update amount were as follows:

- 1) increase of prices of outsourced services;
- 2) increase of prices of materials;
- 3) increase of expenses associated with the expected prolongation of the completion of contracts.

The factors mentioned in Points 1 and 2 above are primarily a result of the inflation pressure connected, inter alia, with the war in the Ukraine.

The greatest adverse change in contract profitability concerns contracts with the least degree of progress, where the great share of expenses lies in materials and outsourced services which have not been contracted as at the date of updating.

At the same time, a positive factor for the update amount is the increase of estimated revenues as regards the valorisation of contractual remuneration of contracts. Such revenues are variable, and accordingly, their calculation carries a risk and uncertainty of the estimate.

The Company informed about the foregoing events in Current Report no. 27/2022, published on May 19, 2022.

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

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

- the ability to win new construction contracts, which on account of the profile of the Group's activities is determined by expenditures on the railway, energy road and tramway infrastructure in Poland and Lithuania, as well as on new markets;
- efficiency of opening and signing contracts by the Ordering Party;
- competition from other entities and increasing pressure on margins;
- lack of market barriers;
- the joint and several liability of the construction consortia members and with the liability for subcontractors;
- formation of prices of raw materials, building materials and transport costs;
- growing bargaining power of subcontractors (impact on the level of prices of services provided by them);
- the situation on the labor market in Poland and Lithuania;
- exchange rate developments, in particular the euro exchange rate;
- the impact of the Central Bank's monetary policy on changes in loan interest rates;
- the timeliness in repayment of liabilities by customers. A failure to do so by customers may lead to the deterioration in the Group's financial liquidity;
- changes of laws governing the scope of the Group's activities, including tax law and other regulations dealing with public law charges;
- the level of valorisation of construction contracts;
- atmospheric conditions;
- the prolonged process of capital increase through the subscription of 250 million series E shares of the Parent Company;
- war in Ukraine;
- the SARS CoV-2 (COVID-19) pandemic.

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

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

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

- the accuracy of estimating the costs of implemented projects, having a direct impact on decisions on the strategy of participating in tenders, the valuation of contracts for tenders and, as a result, the margins achieved on contracts. The accuracy of estimating budgets for contract costs is in turn related to both methodological and external factors, such as changes in prices of materials and prices for subcontractors,
- the number of contracts won as part of investment programs for railway and road infrastructure in Poland and Lithuania;
- ability to acquire highly qualified Staff;

- ability to further diversify operations;
- risk related to obtaining financing for the implementation of construction contracts and obtaining contract guarantees;
- ability to maintain liquidity (described in Note 10 of the Explanatory Notes to these condensed consolidated financial statements);
- ability to satisfy the conditions provided under financial agreements, including the maintenance of financial indices at a prescribed level, as provided under financing agreements;
- results of court proceedings;
- ability to implement the Group's growth strategy.

19. Risk factors

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

- risk associated with increasing competition;
- risk of changes in the strategy of the Polish and Lithuanian authorities with regard to the modernisation of infrastructure over the next few years;
- risk associated with dependence on suppliers;
- risk of a potential loss of subcontractors and a potential rise in prices for services rendered by subcontractors;
- risk of bankruptcy of subcontractors;
- risk associated with the lack of qualified employees;
- risk of loss of managerial and engineering Staff;
- currency risk;
- risk associated with the volatility of prices for materials;
- interest rate risk;
- risk associated with joint and several liability of construction consortium members and liability for improper performance of construction work by subcontractors;
- risk related to potential penalties for failure to complete contracts;
- risk of underestimating the project costs;
- risk of rising prices of building materials;
- risk related to the implementation of construction contracts;
- risk related to obtaining new contracts;
- risk related to supply logistics;
- risk related to the conditions and procedures for the settlement of tenders and the implementation of projects;
- risk related to the increase in the portfolio of overdue receivables;
- risk related to financial contracts, including the risk of exceeding the values of financial ratios specified in the financing agreements;
- liquidity risk (described in the note 10 hereof);
- risks associated with the implementation of the strategy;

- risk related to the approach of the financial sector to companies in the construction industry;
- risk related to obtaining financing for the implementation of construction contracts and obtaining contract guarantees;
- risks associated with weather conditions;
- the risk related to changes in the law, including tax law;

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

Despite the fact that as at the balance sheet date there is still a state of epidemiological threat, both contractors and financial institutions continue their operations. Current actions taken by the Group turned out to be both right and effective. Construction works are carried out continuously. As at the date of approval for publication hereof, the Group did not find any significant impact of the COVID-19 epidemic neither on the Group's financial situation nor on its financial results. The Management Board of Trakcja monitors the risk of a negative impact of the pandemic on the Group's operations and in case of any significant impact of the pandemic on the Group's financial situation, it will inform its stakeholders with an appropriate stock exchange announcement.

Risk associated with the war in Ukraine

The Parent Company identified the risk of outbreak, after the balance sheet date, of a war on the territory of Ukraine. Since the beginning of the war events in Ukraine, the Company has continuously and thoroughly analyzes the impact of the above events on areas of potential risks that could significantly affect the activities and future financial results of the Company and the Capital Group.

In the first quarter of 2022 The Parent Company identified risks (presented in Note 10 hereof). In case of any significant impact of the risks on the financial data of the Company and the Group, the Company will publish a current report.

20. Opinion of the Management Board on the published forecast

The Management Board of Trakcja S.A. did not publish any financial forecast for 2022.

On May 19, 2022, the current report No 27/2022 concerning Management Board's decision on creation of an impairment write-off and preliminary estimated financial performance of Trakcja S.A. and Trakcja Group for the first quarter of 2022 was published. As a result, the Company made public:

- Preliminary estimated financial performance of the Company for the first quarter of 2022:
 - Revenue on sales: PLN 153 789 thousand;
 - Gross profit on sales: PLN -11 753 thousand;
 - EBITDA: PLN -15 791 thousand;
 - Gross profit: PLN -36 872 thousand.
- Preliminary estimated financial performance of the Group for the first quarter of 2022:
 - Revenue on sales: PLN 271 923 thousand;
 - Gross profit on sales: PLN -18 756 thousand;
 - EBITDA: PLN -25 589 thousand;
 - Gross profit: PLN -62 232 thousand.

The above-mentioned positions have not changed compared to the data presented herein.

21. Brief description of significant accomplishments or failures in the I quarter of 2022

In the I quarter of 2022, the Trakcja Group recorded a net loss of PLN 58,967 thousand PLN, which was higher than in the corresponding period of the previous year by PLN 35,712 thousand, when the Group incurred a net loss of PLN 23,255 thousand. For a description of the factors that had a significant bearing on the Group's performance in the I quarter of 2022, see Note 14 of the Additional notes to the condensed consolidated financial statements.

The Group's significant accomplishments in the 3-month period ended March 31, 2022 include the following:

- signing new contracts valued at PLN 177,1 million (excluding the part assigned to consortium partners);
- further rebuilding of the order backlog which, as at March 31, 2022, amounted to PLN 2,234 million for the Group (excluding the portion of revenue attributable to consortium members);
- continued implementation of the Recovery Plan by the Parent Company which provides that the Company will take a number of measures aimed at, among others, obtaining financial benefits by the Company, streamlining internal procedures, optimising the internal structure;
- conducting intensive activity in order to obtain capital financing, which is detailed in Note 10 hereof;
- receiving an inflow in the amount of PLN 14,929 thousand, i.e. 1/3 of the dividend approved on December 23, 2021 by the General Meeting of the subsidiary AB Kauno Tiltai, which was presented by the Company in the current report No 57/2021.

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

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

No information material for the assessment of the Group's and the Parent's Company's employment, assets, financial condition and performance and changes therein or for the assessment of the Group's and the Parent Company's ability to meet its obligations is available other than that presented in these condensed consolidated financial statements for the 3-month period ended on March 31, 2022.

23. Goodwill

Goodwill

	31.03.2022 Unaudited	31.12.2021 Audited
Goodwill at cost	445 655	444 551
Accumulated impairment	(285 715)	(262 962)
Goodwill after all write-offs	159 940	181 589

	Year ended	
	31.03.2022 Unaudited	31.12.2021 Audited
Balance at the beginning of the period	181 589	187 269
Decreases	(22 753)	-
Impairment charged to P&L during the year	(22 753)	-
Exchange rate differences	1 104	(5 680)
Balance at the end of the period	159 940	181 589

Allocation of goodwill to cash-generating units („CGU”) net of impairment losses

For impairment testing purposes as at March 31, 2022, goodwill has been allocated to the following cash generating units:

As at 31.03.2022 Unaudited	CGU: Trakcja S.A., Torprojekt sp. z o.o., BTW sp. z o.o.	CGU: PEUiM sp. z o.o., Dalba sp. z o.o., PDM S.A.	CGU: AB Kauno Tiltai Group	CGU: PRK7 Nieruchomości sp. z o.o.	Total
Allocated goodwill before recognition of write-downs	58 160	5 621	91 379	4 780	159 940

As at 31.12.2021 Modified	CGU: Trakcja S.A., Torprojekt sp. z o.o., BTW sp. z o.o.	CGU: PEUiM sp. z o.o., Dalba sp. z o.o., PDM S.A.	CGU: AB Kauno Tiltai Group	CGU: PRK7 Nieruchomości sp. z o.o.	Total
Allocated goodwill before recognition of write-downs	58 160	28 374	90 275	4 780	181 589

Goodwill impairment test

Conditions were identified which indicate that goodwill impairment of the foregoing CGU could have taken place as at March 31, 2022:

- the first quarter of 2022 marks a significant increase of market interest rates;
- the risk-free rate in Poland and Lithuania increased as at March 31, 2022 against that of December 31, 2021 due to the conflict within the territory of the Ukraine.

Above-mentioned elements have an impact on the discount rate used to calculate the value in use of CGU, which may lower the recoverable CGU.

Moreover, due to the start of war in Ukraine, there have been identified risks (including the rise in material prices and operating costs), later presented in current report No 14/2022, that might cause unfavorable changes, which were described in IAS 36(12b), i.e. changes of a technological, market, economic or legal nature.

In conjunction with above-mentioned identified circumstances, as at March 31, 2022, the goodwill impairment test was performed. The recoverable amount of CGUs is determined by calculating the value in use. These calculations use five-year projections of cash flows. The growth rate in the residual period was set at 2% and it does not exceed the long-term inflation rate. The Management Board determines the budgeted margin on the basis of historical performance, updated contract budgets and its projections regarding market growth. Weighted average growth rates are consistent with the projections presented in industry reports. The discount rate applied is a pre-tax rate reflecting specific threats to individual segments not included in the cash flow projections, calculated using the CAPM model.

Impairment tests were carried out as at the balance sheet date, according to the best knowledge at the time of their preparation. A systemic factor that may affect the future measurement of all assets, in particular financial assets (in the separate financial statements) and goodwill in the consolidated financial statements are the COVID-19 pandemic and military conflict in Ukraine. At the time of preparing these statements, it is not possible, for objective reasons, to make an overall assessment of the impact of the pandemic on test results. When assessing potential effects specific to the company, the following factors can be distinguished (with indication of their direction):

- decrease in the cost of debt financing due to the decrease in interest rates (+),
- increase in risk factors for cash generating units on the Polish and Lithuanian markets (-),
- potential decrease in labour costs and increase in labour availability (+),
- improvement of competitive position in relation to other contractors due to insignificant share of foreigners in the employment structure (+),
- potential disruptions to the continuity of contract performance due to prolonged administrative decisions (-),

- change in prices of key materials, including: (1) potential decrease in the price of petroleum-based materials (e.g. asphalt) (+), (2) potential increase in material prices due to disruption of supply chains (-),
- stimulation of the economy through governmental infrastructure investment programs (+),
- weakening of PLN against EUR and USD and potential volatility of exchange rates (+/-),
- increased risk of payment backlogs and even insolvency (-).

Taking into account the number of variables and the uncertainty related to the development of the COVID-19 pandemic as well as the conflict on Ukrainian territory and its consequences, the impairment loss tests may be susceptible to fluctuations that exceed the levels of rational changes in the key assumptions made as at the day of approval of the financial statements.

Basic assumptions used for the goodwill impairment test:

	CGU: Trakcja S.A., Torprojekt sp. z o.o., BTW sp. z o.o.	CGU: PRK7 Nieruchomości	CGU: PEUiM sp. z o.o., Dalba sp. z o.o., PDM S.A.	CGU: AB Kauno Tiltai Group
As at 31.03.2022				
WACC before taxation	13,2%	13,2%	13,2%	8,4%
WACC after tax	10,7%	10,7%	10,7%	7,1%
EBITDA margin	5,3% - 6,9%	1,3% - 4,7%	1,9% - 9,5%	4,5% - 5,8%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

	CGU: Trakcja S.A., Torprojekt sp. z o.o., BTW sp. z o.o.	CGU: PRK7 Nieruchomości	CGU: PEUiM sp. z o.o., Dalba sp. z o.o., PDM S.A.	CGU: AB Kauno Tiltai Group
As at 31.12.2021				
WACC before taxation	12,0%	12,0%	12,0%	8,3%
WACC after tax	9,7%	9,7%	9,7%	7,0%
EBITDA margin	4,6% - 7,4%	2,5% - 3,4%	5,1% - 10,9%	4,3% - 5,8%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

As at March 31, 2022, the impairment test revealed the loss of goodwill in the companies allocated to the CGU with subsidiaries: PEUiM, Dalba and PDM in the amount of PLN 22,753 thousand. The write-off was presented in the consolidated profit and loss statement for the first quarter of 2022 in the separate item.

The sensitivity analysis carried out shows, that important factors influencing value in use of cash flow generating centers are profitability of performed construction contracts and the adopted level of a discount rate.

EBITDA = operating profit + depreciation + goodwill write-off

Sensitivity analysis for CGU comprising: Trakcja, Torprojekt and BTW

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	20 444	(20 444)
WACC	+/- 0,25 p.p.	(10 295)	10 868

The Group carried out a sensitivity analysis of the change in EBITDA level +/- 2,5% and the WACC level after tax +/-0,25 PP, as a result of which it was concluded, that a reasonable change in assumptions would not make it necessary to recognize the impairment loss.

Sensitivity analysis for CGU comprising: PEUiM sp. z o.o., Dalba sp. z o.o., PDM S.A.

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	1 359	(1 359)
WACC	+/- 0,25 p.p.	(626)	661

As at March 31, 2022, there was an impairment loss recognition for the CGU presented above. In that case, any additional change in assumptions would change the amount of goodwill write-off.

Sensitivity analysis for CGU comprising PRK7 Nieruchomości sp. z o.o.

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	629	(629)
WACC	+/- 0,25 p.p.	(582)	614

The Group carried out a sensitivity analysis of the change in EBITDA level +/- 2,5% and the WACC level after tax +/- 0,25, as a result of which it was concluded, that a change in assumptions resulting in decrease of a recoverable value of CGU of at least PLN 460 thousand, could make it necessary to recognize the impairment loss.

Sensitivity analysis for CGU comprising companies from the AB Kauno Tiltai Group

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	16 279	(16 279)
WACC	+/- 0,25 p.p.	(14 472)	15 974

The Group carried out a sensitivity analysis of the change in EBITDA level +/- 2,5% and the WACC level after tax +/- 0,25, as a result of which it was concluded, that a change in assumptions resulting in decrease of a recoverable value of CGU of at least PLN 23,102 thousand, could make it necessary to recognize the impairment loss.

24. Change in impairment losses and expected credit loss

	Goodwill	Inventory	Trade receivables	Total
As at 01.01.2022	262 962	3 417	124 316	390 695
Audited				
Recognized	22 753	208	9 602	32 563
Variances due to currency translation	-	33	21	54
Used	-	-	-	-
Reversed	-	(90)	(13 799)	(13 889)
As at 31.03.2022	285 715	3 568	120 140	409 423
Unaudited				

25. Provisions

As at 01.01.2021	50 944
Audited	
Recognized	15 986
Foreign exchanges due to currency translation	168
Used	(11 017)
Reversed	(564)
As at 31.03.2021	55 517
Unaudited	
including	
- long-term	14 386
- short-term	41 131

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

From January 1, 2022 to March 31, 2022 the Group purchased tangible non-current assets and intangible assets in the amount of PLN 9,548 thousand (as compared to PLN 4,758 thousand in the comparable period of 2021),

From January 1, 2021 to March 31, 2022 the Group sold tangible non-current assets and intangible assets in a total book value of PLN 715 thousand (as compared to PLN 856 thousand in the comparable period).

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

In the I quarter of 2022, 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.

In the I quarter of 2022, no fair value was reallocated to level 1, 2 or 3.

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

In the I quarter of 2022, the Group did not change the classification of financial assets due to a change of their purpose or use.

29. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment property and financial derivatives. In the period of 3 months ended March 31, 2022 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 2021.

Items recognized in fair value	Level 1		Level 2		Level 3	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021	31.03.2022	31.12.2021
Investment property	-	-	-	-	34 879	34 905
Office properties	-	-	-	-	30 307	30 333
Land properties	-	-	-	-	2 156	2 156
Deposits of natural aggregates	-	-	-	-	2 416	2 416

In the period of 3 months ended March 31, 2022 no reallocations were made to level 1, 2 or 3.

30. Information concerning segments

Segments are described in the Note 1.10 to the consolidated annual financial statements of Trakcja Group for 2021.

Key customers:

In the period of 3 months of 2022, revenues from transactions with external single customers constituted respectively 10% or more of the total revenues of the Group. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below:

The total amount of income obtained in 3 months ended 31.03.2022 from a single customer (thousand PLN).	Operation segment containing the revenues
101 081	Civil construction - Poland
34 193	Construction, Engineering and Concession Agreements Segment - Baltic countries

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 1.01.2022 to
31.03.2022**

Unaudited

	Continued operations						
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	159 175	100 122	12 626	271 923	-	-	271 923
Sales between segments	3	-	2	5	-	(5)	-
Total segment revenues	159 178	100 122	12 628	271 928	-	(5)	271 923
Results							
Depreciation	5 765	3 190	28	8 983	-	-	8 983
Financial revenues - interests	12	72	92	176	-	(126)	50
Financial expenses - interests	6 283	226	78	6 587	-	(126)	6 461
Gross profit	(45 641)	(6 870)	1 029	(51 482)	-	(10 750)	(62 232)

**For the period from 1.01.2020 to
31.03.2020**

Unaudited

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

As at 31.03.2022
Unaudited

Continued operations

	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Segment assets	946 113	457 380	56 208	1 459 701	-	(243 890)	1 215 811
Assets not allocated to segments							60 149
Total assests							1 275 960
Segment liabilities*	473 114	257 023	14 214	744 351	-	(75 403)	668 948
Other disclosures:							
Capital expenditures	(7 096)	(2 450)	(2)	(9 548)	-	-	(9 548)
Impairment of non-financial assets	-	(208)	-	(208)	-	-	(208)

* short-term liabilities were allocated to assess segment

Audited

	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Segment assets	1 017 818	549 343	56 633	1 623 794	-	(302 021)	1 321 773
Assets not allocated to segments							56 789
Total assests							1 378 562
Segment liabilities*	462 118	319 570	15 007	796 695	-	(94 591)	702 104
Other disclosures:							
Capital expenditures	(11 599)	(16 687)	(124)	(28 410)	-	-	(28 410)
Impairment of non-financial assets	(232)	(583)	-	(815)	-	-	(815)

* short-term liabilities were allocated to assess segment

Geographical segments:

**For the period from 1.01.2022 to
31.03.2022**

Unaudited

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Revenues						
Sales to external customers	171 801	100 122	271 923	-	-	271 923
Total segment revenues	171 801	100 122	271 923	-	-	271 923

**For the period from 1.01.2021 to
31.03.2021**

Unaudited

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

As at 31.03.2022

Unaudited

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Operating assets	996 386	463 315	1 459 701	-	(243 890)	1 215 811
Segment liabilities*	502 977	241 374	744 351	-	(75 403)	668 948

* short-term liabilities were allocated to assess segment

As at 31.12.2021

Modified

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Operating assets	1 068 506	555 288	1 623 794	-	(302 021)	1 321 773
Segment liabilities*	492 540	304 155	796 695	-	(94 591)	702 104

* short-term liabilities were allocated to assess segment

31. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	31.03.2022 Unaudited	31.12.2021 Audited
Contingent receivables		
From related entities due to:	82 388	81 397
Received guarantees and sureties	80 792	79 643
Bills of exchange received as collateral	1 596	1 754
Total contingent receivables	82 388	81 397
Contingent liabilities		
To other entities due to:	11 549 341	11 198 208
Provided guarantees and sureties	917 131	937 576
Promissory notes	740 239	756 440
Mortgages	5 613 084	5 612 401
Assignment of receivables	1 361 577	976 023
Assignment of rights under insurance policy	165 998	165 998
Security deposits	19 506	17 964
Other liabilities (registered pledges)	2 731 806	2 731 806
Total contingent liabilities	11 549 341	11 198 208

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.

	31.03.2022 Unaudited	31.12.2021 Audited
Contingent receivables due to contracts signed with employees	-	-
Contingent liabilities due to contracts signed with employees	6 964	6 979

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

In the I quarter of 2022, neither the Parent Company nor its subsidiaries did grant any sureties for credits or loans or any guarantees to any entity or its subsidiary, whose total value of existing sureties and guarantees is significant.

The list of loans granted in the I quarter of 2022 by the Group's companies, including related entities, is presented in the table below.

Lender	Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
Trakcja S.A.	Torprojekt sp. z o.o.	200	PLN	25.02.2022	WIBOR 1M + margin	-	subsidiary

33. Significant court cases and disputes

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

Proceedings concerning the Parent Company:

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

The Parent Company merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja S.A. in Warsaw. In connection with the announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. (hereinafter referred to as: "PNI") with the possibility of concluding an agreement, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław submitted to the bankruptcy court lodgement of claim of the Parent Company dated November 20, 2012. The notification concerned claims totaling PLN 55,664 thousand, including principal receivables, interest due up to the date of bankruptcy and charged 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 thousand, including PLN 10,275 thousand for unpaid invoices and PLN 295 thousand for interest on overdue payment. The receivables from contractual penalties and other claims in the total amount of PLN 44,957 thousand were dismissed. The Parent Company do not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore, the Parent Company filed a complaint which was overruled. On June 8, 2015, the Parent Company received a notice from the administrator in the bankruptcy proceedings on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and at the present time it is difficult to predict when it will conclude.

Case against Leonhard Weiss International GmbH

Due to the fact that Leonhard Weiss International did not reply to the declaration, the debit note and the request for payment of October 31, 2017, the Parent Company decided to take the case to court.

The Parent Company submitted a reply in response to a claim against Leonhard Weiss International GmbH ("LWI") for payment, in connection with the contract of sale of 50% shares in BTW sp. z o.o. At present, it is not possible to precisely indicate the expected date of completion of the case.

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

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

The Parent Company requested also that the defendant reimburse the Parent Company with the costs of the proceedings, including the costs of legal representation, in accordance with prescribed rates. As at the day of accepting these financial statements for publication, it is impossible to estimate the amount of interest and costs of the proceedings.

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 thousand 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 restructuring proceedings.

The proceedings concluded with a final judgment, whereby Trakcja was awarded the amount of PLN 2,768 thousand with interest as requested in the claim. Trakcja acquired an enforcement clause, but due to the fact that as at the day of publication of these financial statements Eltrans is insolvent, execution is currently impossible.

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

On May 22, 2019, the Parent Company filed a lawsuit against ALSTAL Grupa Budowlana sp. z o.o. based in Jacewo for the payment of PLN 557 thousand plus interest as the payment of remuneration for construction works performed as a subcontractor within the scope of the project ordered by Tauron Dystrybucja S.A. entitled "Network Management Development in Wrocław." On November 17, 2020, a hearing was held before the District Court in Bydgoszcz. The case is pending and at the present time it is difficult to predict when it will conclude.

Proceedings against the State Treasury – the General Director of National Roads and Motorways (GDDKiA)

On December 23, 2020, the Parent Company, Masfalt sp. z o.o. and Akcine bendrove "Kauno Tiltai" filed a request for arbitration against the State Treasury – the General Director of National Roads and Motorways, pursuing the amount of PLN 20,453 thousand in total by way of remuneration for the performance of the essential part of the agreement of October 23, 2017 for the design and implementation of the project referred to as "Extension of the national road No 22 on the Czarlin – Knybawa section" and by way of remuneration for materials on the construction site, contractual penalties for the Contractor rescinding the Contract due to the Contracting Entity's fault, remuneration for additional works and reimbursement of general construction costs in connection with extending the time necessary to implement the investment. The Company modified the amount of the claim by claiming a total amount of PLN 19,893 thousand. In the course of the procedure, the Contracting Entity has filed a counterclaim of PLN 4,182 thousand. On March 7, 2022, in the course of the arbitration procedure the Parties concluded an agreement by which all existing and potential reciprocal claims between the Contractor and the Contracting Entity relating to the Contract were settled and the dispute over liability for the improper performance of the agreement was lifted; as a result, there is no risk of the Parent company being excluded from the tenders under Article 109(1)(5) and (7) of the Public Procurement Law. As a result of the settlement agreement, the Contracting Entity paid the Company the amount of PLN 4,989 thousand gross.

On December 30, 2020, the Parent Company and Przedsiębiorstwo Usług Technicznych Intercor sp. z o.o. filed a lawsuit against the State Treasury – the General Director of National Roads and Motorways, pursuing the amount of PLN 23,861 thousand in total by way of reimbursement for general construction costs in connection with extending the execution period of the agreement of October 12, 2015 for the design and construction of the project referred to as "Design and construction of the S-5 expressway on the Nowe Marzy - Bydgoszcz section – border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeships, split into 4 parts. Part 4 – Design and construction of the S-5 expressway at the section from Szubin junction (with junction) to Jaroszewo junction (with junction), with a length of approx. 19.3 km", on account of a lump-sum payment for extending the time necessary to implement the investment, reimbursement of costs for performing additional land improvements and capitalized interest. The case is at an early stage of proceedings and it is difficult to predict when it will conclude.

On December 31, 2020, the Parent Company and Przedsiębiorstwo Usług Technicznych Intercor sp. z o.o. filed a lawsuit against the State Treasury – the General Director of National Roads and Motorways, pursuing increased remuneration for the performance of the agreement of October 12, 2015 for the design and construction of the project referred to as "Design and construction of the S-5 expressway on the Nowe Marzy - Bydgoszcz section – border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeships, split into 4 parts. Part 4 – Design and construction of the S-5 expressway at the section from Szubin junction (with junction) to Jaroszewo junction (with junction), with a length of approx. 19.3 km" for the amount of PLN 33,634 thousand and award of the amount of PLN 33,634 thousand with statutory interest for delay. The case is at an early stage of proceedings and it is difficult to predict when it will conclude.

Notwithstanding the foregoing, the Parent Company indicates that on February 24, 2022, Trakcja received a letter from GDDKiA Bydgoszcz informing about the charge of the consortium by a contractual penalty of PLN 42,293 thousand for exceeding the time allowed for Completion of the Works. The Company sent a note indicating that there are no factual and legal grounds for imposing a contractual penalty. The Parent Company did not recognize this note in a net result of 2021.

Proceedings against the Wielkopolskie Voivodship – Wielkopolski Zarząd Dróg Wojewódzkich in Poznań

On July 15, 2021, the Parent Entity filed a lawsuit against the Wielkopolskie Voivodship – Wielkopolski Zarząd Dróg Wojewódzkich in Poznaniu for payment of PLN 9,973 thousand for compensation for a loss suffered in connection with the activities of Wielkopolski Zarząd Dróg Wojewódzkich in Poznań. The dispute relates to the agreement of October 17, 2018, for the performance of the project referred to as: "Development of voivodship road No 263 from junction with DP 3403P in Drzewce to junction with DW473 in the project and build system." The case is at an early stage of proceedings and it is difficult to predict when it will conclude.

On July 15, 2021, the Parent Entity filed a lawsuit against the Wielkopolskie Voivodship – Wielkopolski Zarząd Dróg Wojewódzkich in Poznań for payment of PLN 11,702 thousand for compensation for loss suffered in connection with the activities of Wielkopolski Zarząd Dróg Wojewódzkich in Poznań. The dispute relates to the agreement of August 24, 2018, for the performance of the project referred to as: "Development of voivodship road No 190 from junction with the voivodship road No 188 in Krajenka to junction with national road No 10- phase I in the project and build system." The case is at an early stage of proceedings and it is difficult to predict when it will conclude. In the course of court proceedings, the parties have been referred to mediation and will attempt to resolve dispute amicably.

Proceedings against PKP PLK

On October 31, 2017, the Parent Company filed a lawsuit against PKP PLK for the payment of PLN 46,747 thousand (including, interest of PLN 4,914 thousand), 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 Trakcja and unpaid by PKP PLK due to the submission of an unjustified statement on the withdrawal in part from the agreement. On December 12, 2017, the Parent Company extended the claim to PLN 50,517 thousand (including PLN 5,336 thousand interest). The extension pertained to the Parent Company's claims against PKP PLK in relation to the groundless enforcement of the contractual penalties accrued and the part of remuneration for the performance of the contract and agreements for additional works, which PKP PLK unreasonably refuses to pay. On October 18, 2018, the Company extended the claim to PLN 51,767 thousand. The damage of Trakcja includes PLN 1,250 thousand, which the Parent Company was obliged to pay to the Bocheński Powiat in order to satisfy the request of PKP PLK concerning earlier, than it resulted from the Work Schedule, launching of track 1 on the route Bochnia - Brzesko Okocim. On May 06, 2019, the Parent Company extended the claim to PLN 84,121 thousand. Trakcja extended the scope of the claims pursued also by the claims for damages against PKP PLK, including tort claims of its subcontractors: Arcadis sp. z o.o., Torpol S.A. and PUT Intercor sp. z o.o. The case is pending and at the present time it is difficult to predict when it will conclude.

On October 31, 2017 the Parent Company along with Przedsiębiorstwo Budowlane "FILAR" sp. z o.o. based in Wrocław, and Berger Bau Polska sp. z o.o. based in Wrocław, has filed a lawsuit against PKP PLK for reimbursement of additional costs related with the extension of the completion date of the contract for basic linear construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of the Dolnośląskie Voivodship within the scope of the project POLiŚ 7.1-4 entitled "Modernisation of railway line E 59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of the Dolnośląskie Voivodship." On March 29, 2018, an extension of the lawsuit was brought in the course of the case to include claims of another subcontractor - INFRAKOL sp. z o.o. sp. k. Attributable to the Parent Company part of the claim is equal to PLN 11,640 thousand (including PLN 1,416 thousand interest). On October 21, 2021, the Court issued a judgment rejecting the entire claim of the subcontractor INFRAKOL sp. z o.o. sp. k. The case is pending and at the present time it is difficult to predict when it will conclude.

On October 31, 2017, the Parent Company filed a lawsuit in the payment order proceedings against PKP PLK for the payment of PLN 12,221 thousand (including interest of PLN 1,822 thousand), requesting that unjust enrichment in the form of unpaid remuneration be refunded for the completion of:

- a) additional works in connection with contract dated December 16, 2010 for "Design and implementation of the construction works at the railway line Kraków – Medyka – State border, at the section Dębica – Sędziszów Małopolski (111.500 km – 133.600 km) under the project POIiŚ 7.1- 30 entitled "Modernization of railway line E30/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.2" in the total amount of PLN 7,570 thousand.
- b) additional works in connection with agreement dated December 16, 2010 for the "Design and implementation of the construction works at the railway line Kraków – Medyka – State border, at the section Dębica – Sędziszów Małopolski - Rzeszów Zachodni under the project "Modernization of railway line E3/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.3" in the total amount of PLN 2,829 thousand.

The case is pending and at the present time it is difficult to predict when it will conclude.

On August 27, 2018, the Parent Company filed a lawsuit for payment against PKP PLK seeking the amount of PLN 6,675 thousand along with statutory interest for delay, as a 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 of December 16, 2010 for "Designing and execution of construction works on Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section (km 111,500 - 133,600) as part of the POIiŚ 7.1-30 project entitled "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 6,284 thousand and capitalized interest on the principal for the period from October 6, 2017 to August 27, 2018. The case is pending and at the present time it is difficult to predict when it will conclude.

On October 22, 2018, the Parent Company filed a lawsuit for payment against PKP PLK, seeking the amount of PLN 632 thousand along with statutory interest for delay, for additional works not provided for in the agreement of 1 March 14, 2017 for the preparation of design documentation and performance of construction works on the Poznań Wschód - Mogilno section from km 0.265 to km 73,000, as a part of the project entitled: "Works on the railway line No 353 Poznań Wschód-Dziarnowo", i.e. works on the construction of additional access ways to platforms at the Wydartowo station, additional suspension of the overhead contact line on the Wydartowo - Trzemeszno route and preparation of maps for design purposes, as well as incurring additional costs related to the unpredictable increase in prices of services provided by PKP Energetyka on the overhead contact line. The case is pending and at the present time it is difficult to predict when it will conclude.

On November 29, 2018, the parent Company filed a lawsuit for payment against PKP PLK seeking the amount of PLN 20,935 thousand along with statutory interest for delay, as reimbursement for the costs of extension of the implementation of an agreement of November 29, 2010 for "Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section (km 133.600 - 154.900) as a part of the POIiŚ 7.1-30 project entitled "Modernization of the E30/CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2", due to circumstances within the scope of responsibility of PKP PLK, both under the provisions of the contract, as a public procurement agreement, as well as general liability for damages specified in the provisions of the Civil Code. The case is pending and at the present time it is difficult to predict when it will conclude.

On January 17, 2019, the Parent Company filed a lawsuit for payment against PKP PLK seeking the amount of PLN 12,296 thousand along with statutory interest for delay, as reimbursement for additional costs resulting from the extension of the implementation of an agreement "Continuation of upgrade work on Railway Line E59 (track and subgrade work and track infrastructure work) as a part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempin-Poznań section" due to circumstances within the scope of responsibility of PKP PLK. On July 12, 2019, Trakcja extended the action to PLN 14,602 thousand, i.e. by the value of the additional services provided to PKP PLK. The case is pending and at the present time it is difficult to predict when it will conclude.

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

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

The case is pending and at the present time it is difficult to predict when it will conclude.

On April 2, 2019, the Parent Company filed a lawsuit for payment against PKP PLK seeking the amount of PLN 489 thousand along with statutory interest for delay, as a reimbursement for additional costs resulting from the extension of the implementation of contract for Construction of civil engineering structures (on km 160,857; km 155.170 and km 145.650) of railway line No 271 Wrocław – Poznań, as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempin–Poznań section" – as regards to the Partial Contract C – railway overpass on km 160.857 in Poznań, due to circumstances within the scope of responsibility of PKP PLK. The case is pending and at the present time it is difficult to predict when it will conclude.

On June 13, 2019, the Parent Company filed a lawsuit against PKP PLK together with an application for the protection of claims of the Company, the object of which is to determine the content of the liability relationships of the Parent Company under the following agreements:

1. agreement dated December 16, 2010, for the "Design and implementation of the construction works at the railway line Kraków – Medyka – State border, at the section Dębica – Sędziszów Małopolski (111.500 km – 133.600 km) under the project POIiŚ 7.1- 30 entitled "Modernization of railway line E30/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.2"; and
2. agreement dated November 29, 2010, for the "Design and implementation of the construction works at the railway line Kraków – Medyka – State border, at the section Sędziszów Małopolski - Rzeszów Zachodni under the project "Modernization of railway line E3/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.3." Questionable matter is necessity to issue a declaration of conformity to type for installations or structures in accordance with the Rail Transport Act and the correctness of design and construction of the noise barriers.

The amount claimed is PLN 12,301 thousand. On September 10, 2021, the Court issued a judgment rejecting the action in its entirety. The Parent Company appealed against the judgment in the part relating to the proper execution of the noise barriers. On April 21, 2022, the Company received the judgement with the statement of reasons which dismissed the appeal.

On September 14, 2021, the Company filed a lawsuit against PKP PLK on:

- a) determination of the invalidity of the provision of subclause 8.7(a) of the Specific Contract Terms for the agreement of July 24, 2018 for the design and execution of works under the project entitled Construction of the Szczecin Metropolitan Railway using existing sections of railway lines 406, 273, 351 — task A entitled: "Modernization of railway line No 406 on section Szczecin-Police" and the agreement of July 24, 2018 for the design and execution of works under the project Construction of Szczecin Metropolitan Railway using existing sections of railway lines No 406, 273, 351 — task B entitled "Upgrading of selected passenger infrastructure on railway lines No 273, 351 and 40";
- b) determination, that under these agreements there is no obligation on the Parent Company as the contractor, to perform certain works and project works.

The value of the subject matter of the dispute determined for the purposes of legal proceedings amounts to PLN 229,795 thousand. The case is at early stage and at the present time it is difficult to predict when it will conclude

As at the date of approval of these financial statements for publication - in particular in connection with the fact that the claim relates to the determination of contract terms as specified in a and b above (and not to payment) - the Company is unable to estimate the impact of the above event on the financial result of the Parent Company and the Group.

Notwithstanding the above, as at December 31, 2021 and as at March 31, 2022, the Group adopted for the two contracts described above concerning the Szczecin Metropolitan Railway the assumption that, because of the lack of necessary cooperation of the Contracting Entity that is essential for the realization of the works, the subject matter of the agreements cannot be performed.

In order to develop further ways of acting on these contracts, the Parent Company took the following steps:

1. on January 28, 2022, the Parent Company requested a guarantee of payment pursuant to Article 6493 of the Civil Code in relation to Article 6491 (1) of the Civil Code;
2. on February 28, 2022, the Parent Company called on the Contracting Entity to cooperate under the pain of withdrawal;
3. on March 11, 2022, the Parent Company withdrew the payment guarantee request submitted on January 28, 2022. At the same time, it has submitted new requests for payment guarantees pursuant to Article 6493 of the Civil Code in relation to Article 6491 (1) of the Civil Code;
4. during the period from March 11, 2022, the Parent Company conducted intensified dialog with the Contracting Entity with a view to reaching an acceptable position for both Parties;
5. on March 25, 2022, the Parent Company again requested the Contracting Entity to cooperate under the pain of withdrawal;
6. on April 20, 2022, the Parent Company made a declaration of withdrawal of the claim for payment of the guarantee referred to in point 3 in connection with ongoing discussions with the Contracting Entity.

In addition, the Parent Company has analyzed possible scenarios for two railway contracts concerning the feasibility and profitability of those contracts and the risks associated with the calculation of contractual penalties by the Contracting Entity in the event of default or execution of contracts at a different time from this resulting from the agreements concluded. In view of the impossibility of completing the agreed work for technical unfeasibility of the agreements concluded, the Parent Company assumed that the most optimal scenario is the early termination of the contracts by mutual consent of the parties and the absence of penalties. At the same time, the Parent Company does not exclude a unilateral withdrawal scenario. In the opinion of the Management Board of the Parent Company, the charging of contractual penalties by the Contracting Entity would be unfounded and the Parent Company took steps to lower such risks. In view of the above, on December 31, 2021, the budgets of the two contracts were intended to be completed after the finalization of the design phase. The Parent Company has waived all other disclosures relating to these contracts by reference to paragraph 92 of IAS 37. In the opinion of the Management Board of the Parent Company, such disclosures could provide information to other parties to contracts, which may be used contrary to the interests of the Parent Company. During the period from March 11, 2022, the Parent Company shall conduct intensive discussions with the Contracting Entity with a view to reaching an acceptable position for both Parties.

In connection with ongoing discussions with the Contracting Entity, the Parent company sees the possibility of returning to full performance of contracts in the event of the termination of obstacles preventing their execution.

On December 30, 2021, the Parent Company with consortium partners filed a lawsuit against PKP PLK seeking the amount of PLN 54,087 thousand plus statutory interest for the delay, in respect of claims related to the realization of the railway investment entitled "Realization of construction works under Tender No 1 Modernization of the Jaworzno Szczakowa-Trzebinia section (km 1,150 – 0,000 of line No 134, km 15,810 – 29,110 of line No 133)" under project "Modernization of railway line E 30, section Zabrze – Katowice – Kraków, Stage IIB." Claims include:

- a) claims relating to the extended performance of the Contract;
- b) a claim concerning the contractual indexation of the Contract Price;

- c) supplementary and replacement works which have been carried out on the order of the Defendant;
- d) claims concerning the non-cooperation of the Contracting Entity, i.e. in particular claims relating to the lack of track closures, delay in the acceptance of works.

The case is pending and at the present time it is difficult to predict when it will conclude.

Continued negotiations on claims

In the first quarter of 2022, the Management Board of the Parent Company carried on negotiations with PKP PLK in order to settle the court disputes in an amicable manner. As at the publication date hereof, the value of contractual claims pursued by Trakcja, its consortium partners and subcontractors in court against PKP PLK amounts to approximately PLN 158.6 million in total (the gross amount together with capitalized interest as at the date when the claim was filed), including the amount due to Trakcja, approximately PLN 120.3 million.

For the part of the contractual claims described above, the Parent Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as a part of mediations at the Arbitration Court by the General Prosecutor's Office of the Republic of Poland for the amount of PLN 139.2 million (the gross amount with capitalized interest as at the date when the claim was filed), including the amount due to Trakcja, approximately PLN 106.9 million.

In the first quarter of 2022 and after the balance-sheet day, mediation meetings were continued in court proceedings and in the field of foundation piling. The parties shall be in the process of negotiating the value of the mediation settlement. According to the findings of the parties, the Railway Institute is still carrying out studies, additional to the initially defined scope of research, which, according to the findings of the Parties, are intended to form the basis for the settlement concerning foundation piles.

As at March 31, 2022, the value of other contractual claims which the Company is pursuing, together with consortium partners and subcontractors on a contractual basis (out of court) is PLN 429.7 million, including the amount due to Trakcja being PLN 379.1 million.

34. Dividends paid and declared

In the first quarter of 2022 the Parent Company did not declare or paid a dividend.

35. Information on related parties

In the first quarter of 2022, the Group companies did not enter into any material transactions with related parties on non-arm's length terms. 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.

Total amounts of related-party transactions in the period from January 1 to March 31, 2022:

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
Shareholders of parent company:							
COMSA S.A.U.	1.01.22-31.03.22	-	-	-	138	-	5
	1.01.21-31.03.21	-	-	-	140	-	5
Agencja Rozwoju Przemysłu S.A.	1.01.22-31.03.22	-	-	-	1 425	-	12
	1.01.21-31.03.21	-	-	-	527	-	12
Total	1.01.22-31.03.22	-	-	-	1 563	-	17
	1.01.21-31.03.21	-	-	-	667	-	17

Receivables from and liabilities to related parties as at March 31, 2022:

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Liabilities due to bonds	Loans granted	Borrowings received
Shareholders of parent company:						
COMSA S.A.U.	31.03.2022	-	89	8 642	-	242
	31.12.2021	95	88	8 500	-	241
Agencja Rozwoju Przemysłu S.A.	31.03.2022	-	92	20 159	-	86 876
	31.12.2021	-	15	20 147	-	86 806
Total	31.03.2022	-	181	28 801	-	87 118
	31.12.2021	95	103	28 647	-	87 047

36. Significant events during the financial year and after the balance sheet date

Below presented the significant events within the Group in the first quarter of 2022:

Significant construction contracts	CR
05.01.2022 The Management Board of Trakcja S.A. informed that following the conduct of a procedure for the award of a public contract in the form of an unlimited tender, the Company has signed today the following agreement with the City of Łódź – Municipal Investments Administration with its seat in Łódź: “Expansion of the road and rail system along the route: ulica Ogrodowa – ulica Północna at the segment from ulica Zachodnia to ulica Franciszkańska, along with the reconstruction of the tram junction at ulica Północna”. The net value of the contract amounts to PLN 37,015 thousand.	1/2022
10.02.2022 The Management Board of the Company Trakcja S.A. informed that today, a contract on ‘The reconstruction project and construction works 330/110/10 kV of the transformer substation Jonava’ has been bilaterally signed by the Issuer’s subsidiary AB Kauno Tiltai with its registered office in Lithuania and LITGRID AB (LITGRID Joint-stock Company) with its registered in Vilnius, Lithuania. The total net value of the concluded Contract amounts to EUR 19,940 thousand (PLN 89,489 thousand).	9/2022
07.03.2022 The Management Board of Trakcja S.A. informed that today, the Company together with the following consortia: AB Kauno tiltai with its registered office in Kaunas, Lithuania and Masfalt sp. z o.o. with its registered office in Pruszków (hereinafter jointly referred to as ‘the Contractor’) concluded a settlement with the Employer, i.e. the Treasury – the General Directorate for National Roads and Motorways concerning the dispute with regard to the execution of the investment entitled ‘Expansion of national road no. 22 at Czarlin – Knybawa section’. As a result of concluding the settlement, the Employer will pay the Company the amount of PLN 4,989 thousand gross. Conclusion of the settlement will have a positive impact on the financial result of the Company and the Group for the 1st quarter of 2022 in the amount of PLN 926 thousand.	11/2022
14.03.2022 The Management Board of Trakcja S.A. informed that Trakcja S.A. has signed today the following contract with the City of Łódź – Municipal Investments Administration with its seat in Łódź: “Expansion of Plac Wolności , along with its technical infrastructure, transfer and maintenance of the spring, street furniture and planting, as well as the construction of roofing over the entrance of the “Detka” Canal Museum – Branch of the Łódź City Museum. The net value of the contract amounts to PLN 27,169 thousand; conditional sums under this Agreement amount to a total of PLN 1,620 thousand net.	13/2022
Other	CR
11.01.2022 The Management Board of Trakcja S.A. announced the dates of publication of periodic reports in 2022.	2/2022
14.01.2022 The Management Board of Trakcja S.A. informed that it has been advised today that on 8 January 2022 the District Court for the Capital City of Warsaw, Warsaw, XII Business Division of the National Court Register has registered the amendments to the Memorandum, as adopted under Resolution No. 7 of the Extraordinary General Meeting of the Company on 10 September 2021.	3/2022

21.01.2022 The process of preliminary closure of the accounts ended, including the process of reviewing long-term contracts and collecting financial data for the purposes of drawing up a yearly separate financial statement of the Company for 2021. Therefore, the Company announced preliminary estimated financial results of Trakcja for 2021.	4/2022
31.01.2022 The preliminary analysis of the available financial results of individual units of the Issuer's Group was completed and collecting financial data for the purposes of drawing up a consolidated financial statement of the Trakcja Group for 2021. Therefore, preliminary estimated consolidated financial results of the Trakcja Group for 2021 had been announced.	5/2022
31.01.2022 ARP - the Shareholder representing at least one twentieth of the Company's equity capital - made a request to convene the EGM of the Company on 8 April 2022 with the agenda including the point concerning passing the resolution on increasing the Company's equity by issuing E series bearer shares by private placement with full exclusion of the pre-emptive right of current shareholders.	6/2022
31.01.2022 The Company convened the EGM of Trakcja S.A. on 8 April 2022.	7/2022
01.02.2022 Shareholders of the Company - ARP and COMSA submitted the notification in which they informed that pursuant to the concluded Annex the Parties extended the expiry date of concluded preliminary contract of sales of shares and conditional contract of sales of bonds issued by the Company in case of failure of the Company's share capital by issuing 250,000,000 new E series ordinary shares with a value of 0.80 PLN each.	8/2022
22.02.2022 The Company decided to establish a write-down for 'Investments in subsidiaries' in the Company's standalone balance sheet in the amount of PLN 18,513 thousand.	10/2022
11.03.2022 The Company's Supervisory Board passed resolutions on the grounds of which it has appointed the following Members of the Company's Management Board: Mr. Marcin Lewandowski – President of the Management Board, Mr. Aldas Rusevičius – Vice-President of the Management Board and Mr. Adam Stolarz – Member of the Management Board. Furthermore, SB passed resolutions on the grounds of which it has appointed the following Members of the Company's Management Board: Mr. Jakub Lechowicz to the position of the President of the Management Board and the Managing Director, Mr. Piotr Mechecki to the position of the Vice-President of the Management Board and the Director responsible for the Company's Key Accounts, and Mr. Jacek Gdański to the position of the Vice-President of the Management Board and the Internal Audit Director.	12/2022
16.03.2022 The Management Board of Trakcja S.A. has provided an information about the impact of war in Ukraine on the economic activity and financial results of the Company and Trakcja Group.	14/2022
25.03.2022 The Management Board of Trakcja S.A. with reference to the CR 2/2022 of January 11, 2022, informs that the date of publication of the individual annual report and the consolidated annual report for the financial year 2021, originally planned for March 31, 2022, has been postponed as of April 29, 2022. The remaining dates of publication of periodic reports remain unchanged.	15/2022

Below presented the significant events within the Group after the balance sheet date.:

Other	RB
04.04.2022 Further to CR 6/2022 and 7/2022, the Management Board of Trakcja S.A. hereby transmits the opinion of the Company's Management Board, which justifies the depriving of Trakcja S.A. shareholders of pre-emptive rights for series E shares and concerning the manner of determining the issue price of series E shares, which shall be a part of the documentation for the next Extraordinary General Meeting of the Company convened for 8 April 2022.	16/2022
08.04.2022 The Management Board of Trakcja S.A. hereby announces the contents of resolutions adopted by the EGM, along with the results of voting, which was held on 8 April 2022.	17/2022
08.04.2022 The Management Board of Trakcja S.A. provided a listing of shareholders holding at least 5% of the total number of votes at the Extraordinary General Meeting of the Company, held on 8 April 2022, Warsaw.	18/2022
08.04.2022 The Management Board of Trakcja S.A. in connection with the submitted the relevant motion on April 8, 2022 by ARP - a shareholder which represents at least one twentieth of the Company's share capital - demanding the convening of EGM of the Company, the Management Board convened the EGM of Trakcja S.A. for May 6, 2022.	19/2022
20.04.2022 The Management Board of Trakcja S.A. informed that on 20 April 2022, as a result of a modification of the accepted estimates in the process of preparation of the financial statements,	20/2022

there has been a significant modification of published preliminary estimates of the Company's and Group's financial performance for the fourth quarter of 2021 and for the 12-month period ending on 31 December 2021, as published by the Company, respectively in CR nos. 10/2022 and 5/2022. The previously published estimates of the Company's and Group's financial performance for the foregoing periods have been modified primarily due to the following:

1. Modification of estimates concerning provisions for adjustment work with regard to two railroad contracts;
2. Modification of estimates concerning provisions for employee bonuses for 2021;
3. Modification of estimates concerning the impairment of value of receivables for past-due supplies and services over 365 days;
4. Modification of estimates concerning performances set out in the budgets of two contracts in accordance with settlements reached after the balance sheet date.

22.04.2022 The Management Board of Trakcja S.A. informed that the date of publishing the unit's annual report and consolidated annual report for financial year 2021, originally scheduled for 29 April 2022, has been rescheduled for 27 April 2022.	21/2022
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27.04.2022 Further to Current Reports nos. 46/2021, 60/2021 and 8/2022, The Management Board of Trakcja S.A. informed that it has been advised of the notice submitted by the Company's shareholders of ARP and COMSA, in which they advise that under the concluded annex the Parties extended the date of expiry of the preliminary agreement on the sale of shares and conditional agreement on the sale of bonds issued by the Company in the event of failure to adopt the resolution on the increase of the Company's share capital from the amount of PLN 69,160,780.80 to the amount of PLN 269,160,780.80 by the issue of 250.000.000 new ordinary shares, series E, of a value of PLN 0.80 each. In accordance with the contents of the notice, the deadline for the expiry of the Agreement in the event of failure to adopt the resolution in question has been extended until 6 June 2022.	22/2022
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29.04.2022 The Management Board of Trakcja S.A. hereby informed that the general meeting of the subsidiary AB Kauno tiltai has adopted today a resolution as regards the distribution of a dividend for 2021, in the amount of EUR 1,607 thousand In accordance with the contents of the resolution, the dividend shall be paid under the stipulation that the financial institution which finances the subsidiary provides its consent for payment of the dividend. The portion of the Dividend payable to the Company in its capacity of a shareholder of AB Kauno tiltai amounts to EUR 1,576 thousand (that is, approximately PLN 7,395 thousand). In the event the foregoing condition is satisfied and the dividend is received, it shall be reflected in the Issuer's financial statements for the II quarter of 2022.	23/2022
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06.05.2022 The Management Board of Trakcja S.A. informed that EGM convened for 6 May 2022 ordered a break in the meeting until 2 June 2022, at 12:00. The break was ordered due to the request for the break in the EGM meetings submitted by the shareholder of ARP.	24/2022
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06.05.2022 The Management Board of Trakcja S.A. hereby provided – in the form of Schedule No. 1 hereto – a listing of shareholders holding at least 5% of the total number of votes at the EGM of the Company, held on 6 May 2022, Warsaw.	25/2022
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17.05.2022 Further to Current Report 2/2022 of 11 January 2022, the Management Board of Trakcja S.A. hereby informed that the date of publishing the periodical report for the first quarter of 2022, originally scheduled for 24 May 2022, has been rescheduled for 27 May 2022. The other publication dates of periodical reports have not been changed: - Periodical report for the first six months of 2022 – 14 September 2022; - Periodical report for the III quarter of 2022 – 24 November 2022;	26/2022
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19.05.2022 The Management Board of Trakcja S.A. informed that: <ul style="list-style-type: none"> • As a result of the conducted impairment test of the value of investment in subsidiaries at the following company: PEUiM, an impairment in this regard has been found. Accordingly, the Company has decided to create an impairment write-off for "Investment in subsidiaries" in the Company's unit balance sheet in the amount of PLN 12,003 thousand; • As a result of the conducted impairment test of goodwill assigned to the cash generating unit that includes the following subsidiaries: PEUiM, Dalba and PDM., an impairment in this regard has been found. Accordingly, the Company has decided to create an impairment write-off for "Goodwill with consolidation" in the Trakcja Group's consolidated balance sheet in the amount of PLN 22,753 thousand; • The process of the initial closure of books of account has been completed, including the process of reviewing long-term contacts and collection of the Company's financial data; 	27/2022
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- The preliminary analysis of available financial performance data of the Issuer's Group's units and process of collecting financial data for the purposes of preparing a consolidated quarterly report for the Trakcja Group for the three month period – have been completed on 31 March 2022.

Moreover, the Company made available for public the preliminary estimated financial performance of the Company and Group for the first quarter of 2022.

24.05.2022 The Management Board of Trakcja S.A. informed of its today's regarding the recommendation for the Ordinary Meeting of Shareholders that the Company's net profit for 2021 in the amount of PLN 3,854,534.70 be fully earmarked for reserve capital. The Company hereby informs that the Management Board will be requesting the Company's Supervisory Board to deliver an assessment of the adopted recommendation. The final decision as to the earmarking of the net profit for 2021 shall be taken by the OMS of Trakcja S.A. 28/2022

27.05.2022 The Management Board of the Company convened the EGM of Trakcja S.A. for 23 June 2022. 29/2022

IV. QUARTERLY FINANCIAL INFORMATION

STANDALONE INCOME STATEMENT

	1.01.2022 - 31.03.2022 Unaudited	1.01.2021 - 31.03.2021 Unaudited
Continued operations		
Sales revenue	153 789	139 994
Cost of goods sold	(165 542)	(137 364)
Gross profit (loss) on sales	(11 753)	2 630
Cost of sales, marketing and distribution	(496)	(502)
General and administrative costs	(8 701)	(7 330)
Other operating revenues	1 453	2 006
Other operating costs	(869)	(311)
Operating profit (loss)	(20 366)	(3 507)
Financial revenues	2 125	967
Financial costs	(18 631)	(4 185)
Gross profit (loss)	(36 872)	(6 725)
Income tax	1 561	50
Net profit (loss) from continued operations	(35 311)	(6 675)
Net profit (loss) from discontinued operations	-	-
Net profit for the period	(35 311)	(6 675)
Profit per share attributable to shareholders in the period (PLN per share)		
- basic	(0,41)	(0,08)
- diluted	(0,34)	(0,06)

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	1.01.2022 - 31.03.2022 Unaudited	1.01.2021 - 31.03.2021 Unaudited
Net profit for the period	(35 311)	(6 675)
Other comprehensive income:		
Total comprehensive income for the period	(35 311)	(6 675)

STANDALONE BALANCE SHEET

	31.03.2022 Unaudited	31.12.2021 Audited
ASSETS		
Non-current assets	573 616	586 458
Tangible non-current assets	141 069	143 872
Intangible assets	51 725	51 170
Investment properties	25 436	25 456
Investments in subsidiaries	276 937	288 940
Other financial assets	17 523	17 041
Deferred tax assets	55 919	54 352
Prepayments	5 007	5 627
Current assets	439 248	467 405
Inventory	59 596	52 176
Trade and other receivables	175 392	230 625
Other financial assets	4 248	3 333
Cash and cash equivalents	22 118	16 618
Prepayments	13 651	11 220
Contracts with customers assets	164 243	153 433
TOTAL ASSETS	1 012 864	1 053 863
Equity and liabilities		
Equity	248 429	283 734
Share capital	69 161	69 161
Share premium account	199 160	199 160
Revaluation reserve	6 086	6 082
Other capital reserves	391	391
Retained earnings	(26 369)	8 940
Total equity	248 429	283 734
Long-term liabilities	325 699	335 228
Interest-bearing loans and borrowings	293 410	303 875
Bonds	28 606	28 451
Provisions	3 331	2 485
Liabilities due to employee benefits	352	417
Short-term liabilities	438 736	434 901
Interest-bearing loans and borrowings	96 350	77 856
Bonds	196	196
Trade and other liabilities	241 610	244 995
Provisions	28 309	24 300
Liabilities due to employee benefits	8 608	9 248
Deferred revenue	997	1 099
Contracts with customers liabilities	62 666	77 207
TOTAL EQUITY AND LIABILITIES	1 012 864	1 053 863

STANDALONE STATEMENT OF CASH FLOWS

	Note	1.01.2022 - 31.03.2022 Unaudited	1.01.2021 - 31.03.2021 Unaudited
<i>Cash flows from operating activities</i>			
Gross profit from continued operations		(36 872)	(6 725)
Adjustments for:		29 190	(7 585)
Depreciation		4 575	5 025
FX differences		197	167
Net interest and dividends		5 605	3 219
Profit on investment activities		11 385	(720)
Change in receivables	4	40 182	(2 024)
Change in inventory		(7 420)	3 432
Change in liabilities, excluding loans and borrowings		(2 946)	12 675
Change in prepayments and accruals		(1 913)	(2 020)
Change in provisions		4 855	(1 776)
Change in settlements in contracts		(25 351)	(25 579)
Other		21	16
Net cash flows from operating activities		(7 682)	(14 310)
<i>Cash flows from investment activities</i>			
Purchase of intangible assets		(722)	(1 044)
Sale of tangible non-current assets		1 147	53 796
Purchase of tangible non-current assets		(1 311)	(145)
Returned loans		200	-
Granted loans		(200)	-
Returned financial assets		2 842	1
Purchase of financial assets		(4 113)	(3 890)
Dividend received		14 929	-
Interest received		6	-
Net cash flows from investment activities		12 778	48 718
<i>Cash flows from financial activities</i>			
Proceeds on account of taken borrowings and loans		10 320	18 692
Repayment of borrowings and loans		(711)	(49 783)
Interests and commissions paid		(5 135)	(2 967)
Payment of liabilities under financial lease agreements		(4 070)	(3 044)
Net cash flows from financial activities		404	(37 102)
Total net cash flows		5 500	(2 694)
Cash at start of period		16 618	6 693
Cash at end of period		22 118	3 999
- with limited access		7 526	-

STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals	Retained earnings	Total
As at 01.01.2022 Audited	69 161	199 160	6 082	391	8 940	283 734
Net profit for the period	-	-	-	-	(35 311)	(35 311)
Total comprehensive income	-	-	-	-	(35 311)	(35 311)
Other	-	-	4	-	2	6
As at 31.03.2022 Unaudited	69 161	199 160	6 086	391	(26 369)	248 429
As at 1.01.2021 Modified*	69 161	269 641	7 082	391	(66 630)	279 645
Net profit for the period	-	-	-	-	(6 675)	(6 675)
Total comprehensive income	-	-	-	-	(6 675)	(6 675)
Other	-	-	-	-	1	1
As at 31.03.2021 Unaudited	69 161	269 641	7 082	391	(73 304)	272 971
As at 1.01.2021 Modified*	69 161	269 641	7 082	391	(66 630)	279 645
Net profit for the period	-	-	-	-	3 855	3 855
Total comprehensive income	-	-	-	-	3 855	3 855
Distribution of profit	-	(70 481)	-	-	70 481	-
Sale or liquidation of fixed assets revalued to fair value	-	-	(1 000)	-	1 234	234
As at 31.12.2021 Audited	69 161	199 160	6 082	391	8 940	283 734

*The restatement comprises presentation change of equity in consolidated balance sheet of the Group (Note 1.6 to annual standalone financial statements for 2021)

V. NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS

1. Analysis of the financial performance of Trakcja S.A. during the first quarter of 2022

A factor which had a material impact on sales revenues and on performance for the I quarter of 2022 was the seasonal nature of sales for entities operating in the construction industry – which is characterized by a lower level of achieved revenues during the first quarter of the year and the generation of the greater part of sales revenues during the second half of the calendar year.

During the first quarter of 2022, Trakcja S.A. achieved sales revenues in the amount of PLN 153,789 thousand which is an increase of 10% against the analogous period of 2021. During the first quarter, costs of sales have grown by the amount of PLN 28,178 thousand, i.e. 21% and their value amounted to PLN 165,542 thousand. During the first quarter of 2022, the Company experienced a gross loss on sales in the amount of PLN 11,753 thousand, which constitutes a drop by PLN 14,383 thousand against the analogous period last year, when the Company experienced a gross profit on sales in the amount of PLN 2,630 thousand.

The Company has conducted a cyclical review of ongoing construction contracts, and their budgets have been updated in terms of their nature, amounts, temporal distribution and uncertainty as to revenues and cash flows resulting from their performance. During the budget updating, the opportunities and threats analysis has been conducted, which has identified and taken into account technical, completion and liquidity risks and those associated with the prolongation of project completion.

The factors which had the most adverse impact on the negative gross result on sales were: an increase of prices of outsourced services, increase of prices of materials and increase of expenses associated with the expected prolongation of the completion of contracts. The first two factors mentioned above are primarily a result of the inflation pressure connected, inter alia, with the war in the Ukraine. In Current Report No. 14/2022, the Issuer informed as to the identified risks associated with the war's impact on the Company's and Group's business. The greatest adverse change in contract profitability concerns contracts with the least degree of progress, where the great share of expenses lies in materials and outsourced services which have not been contracted as at the date of updating. At the same time, a positive factor for the update amount is the increase of estimated revenues as regards the valorisation of contractual remuneration of contracts. Such revenues are variable, and accordingly, their calculation carries a risk and uncertainty of the estimate. The impact of contractual budget updating is negative for the gross profit (loss) on sales for the first quarter of 2022, amounting to PLN 20,732 thousand.

The margin of the gross sales result has achieved the value of -7.6% during the first quarter of 2022. The margin has decreased by 9.5 p.p. against the margin for the first quarter of 2021.

General and administrative costs have reached PLN 8,701 thousand and increased by 19%, that is, by the amount of PLN 1,371 thousand against the comparable period. The increase of costs is primarily a result of the creation of provisions for the payment of compensation to the previous President of the Management Board.

Costs of sales, marketing and distribution during the period under discussion have achieved the value of PLN 496 thousand and have decreased by PLN 6 thousand against the analogous period last year.

The balance of other operating activity amounted to PLN 584 thousand and decreased by PLN 1,111 thousand; this decrease followed from a higher balance during the comparable period, on which revenues from damages in the amount of PLN 901 thousand had an impact.

The Company experienced a gross loss on operations in the amount of PLN 20,366 thousand from January 1, 2022 to March 31, 2022. The loss on operations increased by PLN 16,859 thousand against the first quarter of 2021, where this loss amounted to PLN 3,507 thousand.

The Company's financial revenues achieved the value of PLN 2,125 thousand and increased against the financial revenues for the first quarter of 2021 by the amount of PLN 1,158 thousand due to the adjustment of the input PCC tax on a loan. Financial costs increased by the amount of PLN 14,446 thousand and reached the value of PLN 18,631 thousand. The increase of financial costs was primarily associated with the creation of an impairment write-off of the value of an investment in PEUM, a subsidiary, in the amount of PLN 12,003 thousand, as to which the Company had informed in Current Report no. 27/2022. Furthermore, the expenses on received credits and loans increased by PLN 2,651 thousand, which is associated with the increase of financial liabilities and an increase in interest rates.

The Company experienced a gross loss in the amount of PLN 36,872 thousand from January 1, 2022 to March 31, 2022. During the first quarter of 2022, income tax increased the net result on continued business by the amount of PLN 1,561 thousand and increased against the analogous period last year by PLN 1,511 thousand. The Company's net loss for the period from January 1, 2022 to March 31, 2022 amounted to PLN 35,311 thousand and increased against the net loss for the first quarter of 2021 by the amount of PLN 28,636 thousand.

At the end of the first quarter of 2022 the Company's balance sheet sum achieved the value of PLN 1,012,864 thousand and was lower by PLN 40,999 thousand than the balance sheet sum at the end of 2021.

Fixed assets decreased by the amount of PLN 12,842 thousand and reached the value of PLN 573,616 thousand. The greatest decrease, PLN 12,003 thousand, was experienced as regards investments in subsidiaries due to the impairment write-off in subsidiaries as a result of the created impairment write-off on investments the PEUiM subsidiary. Current assets have decreased by the amount of PLN 28,157 thousand against December 31, 2021, which constitutes a decrease of 6.0% and reached PLN 439,248 thousand. This decrease was primarily the result of a decrease of the value of receivables for supplies and services and of other receivables by the amount of PLN 55,233 thousand. On the other hand, the value of assets under contracts with customers experienced an increase by PLN 10,810 thousand, which amounted to PLN 164,243 thousand as at March 31, 2022. Cash and equivalents increased by the amount of PLN 5,500 thousand and the balance amounted to 22,118 thousand as at March 31, 2022.

The Company's total equity decreased by the amount of PLN 35,505 thousand as at March 31, 2022 against that of December 31, 2021.

The value of long-term liabilities has decreased by PLN 9,529 thousand against that of December 31, 2021, reaching a level of PLN 325,699 thousand on March 31, 2022. The primary factor in the decrease of this item was a decrease of credits and loans, as well as of leasing liabilities - by PLN 10,465 thousand. Short-term liabilities have reached the value of PLN 438,736 thousand and increased by 0.9%, i.e. the amount of PLN 3,835 thousand against that at the end of the previous year. Among short-term liabilities, the greatest increase has been experienced in interest liability on credits and loans, and amounted to PLN 96,350 thousand as at March 31, 2022. Liabilities under contracts with customers experienced a decrease and amounted to PLN 62,666 thousand as at March 31, 2022; furthermore, there have been drops in liabilities for supplies and services and of other liabilities, which decreased by PLN 3,385 thousand, i.e. 1.4%, reaching the value of PLN 241,610 thousand as at March 31, 2022.

The Company commenced 2022 with cash in the amount of PLN 16,618 thousand, and ended the 3-month period with cash in the amount of PLN 22,118 thousand. Net cash flows for the 3 months of 2022 were positive and amounted to PLN 5,500 thousand, which constitutes an increase by PLN 8,194 thousand against the analogous period in 2021. The Company experienced negative cash flows on operations in the amount of PLN 7,682 thousand, which increased by PLN 6,628 thousand. Net cash flows on investments have demonstrated a positive balance during the first quarter of 2022 in the amount of PLN 12,778 thousand, whereas during the comparable period in 2021, the positive balance on investments amounted to PLN 48,718 thousand (primarily owing to the proceeds from the sale of the real property at Lotnicza 100 Street, Wrocław). Net cash flows on financial operations in the first quarter of 2022 achieved a positive balance, amounting to PLN 404 thousand and were greater than the balance during the comparable period by PLN 37,506 thousand.

2. Seasonality and cyclicity

The sale of construction-assembly, repair, road and rail services in Poland is characterized by seasonality associated primarily with weather conditions. The highest revenues are usually achieved in the third and fourth quarters, while the lowest – in the first quarter.

3. Investments in subsidiaries

As at 31.03.2022

Company name	Location	Business object	Character of relation/consolidation method	Date of taking control	Value of shares/stocks at acquisition price	Carrying value of shares/stocks	Percentage of the company share capital held	Share in total no. of votes at GM
PRK 7 Nieruchomości sp. z o.o.	Warsaw	real estate development activities	subsidiary/full method	01.09.2007	17 169	17 169	100,00%	100,00%
Torprojekt sp. z o.o.	Warsaw	designing activities	subsidiary/full method	04.11.2010	1 400	1 400	82,35%	82,35%
AB Kauno Tiltai*	Kowno	construction and installation activities	subsidiary/full method	19.04.2011	364 109	218 138	96,84%	96,84%
PEUiM sp. z o. o.	Białystok	construction and installation activities	subsidiary/full method	19.04.2011	29 466	17 463	99,70%	99,70%
Dalba sp. z o.o.	Białystok	construction and installation activities	subsidiary/full method	19.04.2011	385	385	100,00%	100,00%
PDM S.A.	Białystok	construction and installation activities	subsidiary/full method	19.04.2011	204	204	94,62%	94,62%
BTW sp. z o. o.	Wrocław	construction and installation activities	subsidiary/full method	30.12.2016	23 508	22 178	100,00%	100,00%
Total					436 241	276 937		

As at 31.12.2021

Company name	Location	Business object	Character of relation/consolidation method	Date of taking control	Value of shares/stocks at acquisition price	Carrying value of shares/stocks	Percentage of the company share capital held	Share in total no. of votes at GM
PRK 7 Nieruchomości sp. z o.o.	Warsaw	real estate development activities	subsidiary/full method	01.09.2007	17 169	17 169	100,00%	100,00%
Torprojekt sp. z o.o.	Warsaw	designing activities	subsidiary/full method	04.11.2010	1 400	1 400	82,35%	82,35%
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PEUiM sp. z o. o.	Białystok	construction and installation activities	subsidiary/full method	19.04.2011	29 466	29 466	99,70%	99,70%
Dalba sp. z o.o.	Białystok	construction and installation activities	subsidiary/full method	19.04.2011	385	385	100,00%	100,00%
PDM S.A.	Białystok	construction and installation activities	subsidiary/full method	19.04.2011	204	204	94,62%	94,62%
BTW sp. z o. o.	Wrocław	construction and installation activities	subsidiary/full method	30.12.2016	23 508	22 178	100,00%	100,00%
Total					436 241	288 940		

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

Investment impairment test

Conditions were identified which indicate that goodwill impairment of the foregoing subsidiaries could have taken place as at March 31, 2022:

- the first quarter of 2022 marks a significant increase of market interest rates;
- the risk-free rate in Poland and Lithuania increased as at March 31, 2022 against that of December 31, 2021 due to the conflict within the territory of the Ukraine.

Above-mentioned elements have an impact on the discount rate used to calculate the value in use of CGU, which may lower the recoverable CGU.

Moreover, due to the start of war in Ukraine, risks have been identified (including the rise in material prices and operating costs), later presented in current report No 14/2022, that might cause unfavorable changes, which were described in IAS 36(12b), i.e. changes of a technological, market, economic or legal nature.

In conjunction with above-mentioned identified circumstances, as at March 31, 2022, the investment impairment test was performed.

Basic assumptions used for the investment impairment test:

As at 31.03.2022	PRK7 Nieruchomości sp. z o.o.	PEUiM sp. z o.o.	AB Kauno Tiltai	BTW sp. z o.o.
WACC before taxation	13,2%	13,2%	8,4%	13,2%
WACC after taxation	10,7%	10,7%	7,1%	10,7%
EBITDA margin	1,3% - 4,7%	1,8% - 7,5%	4,5% - 5,8%	12,8% - 16,2%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

As at 31.12.2021	PRK7 Nieruchomości sp. z o.o.	PEUiM sp. z o.o.	AB Kauno Tiltai	BTW sp. z o.o.
WACC before taxation	12,0%	12,0%	8,3%	12,0%
WACC after taxation	9,7%	9,7%	7,0%	9,7%
EBITDA margin	2,5% - 3,4%	5,1% - 8%	4,3% - 5,8%	12,9% - 15,4%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

As at March 31, 2022, the impairment test revealed the loss of investment in the subsidiary PEUiM in the amount of PLN 12,003 thousand. The write-off was presented in profit and loss statement for the first quarter of 2022 in the financial costs. Other investments in shares of Trakcja Group subsidiaries were shown unchanged compared to the values recognised in the Company's balance sheet as at December 31, 2021.

The sensitivity analysis carried out shows, that important factors influencing value in use of cash flow generating centers are profitability of performed construction contracts and the adopted level of a discount rate.

Below presented the sensitivity analysis of recoverable value of key investments to the change in individual indicators used in the impairment test, using the discount rate after tax.

EBITDA = operating profit + depreciation

Sensitivity analysis for the investment in PRK 7 Nieruchomości sp. z o.o.

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	547	(547)
WACC	+/- 0,25 p.p.	(582)	614

The Company performed the sensitivity analysis for changes in EBITD +/- 2.5% and in WACC +/-0.25 p.p., which demonstrated that a rational change in assumptions would not result in an impairment loss being recognised for the investments in PRK 7 Nieruchomości.

Sensitivity analysis for the investment in PEUiM sp. z o.o.

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	828	(828)
WACC	+/- 0,25 p.p.	(424)	448

As at March 31, 2022 for the investment presented above the impairment was recognized, therefore, any additional change in assumptions would result in a change of recognised impairment loss.

Sensitivity analysis for the investment in AB Kauno Tiltai

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	14 391	(14 391)
WACC	+/- 0,25 p.p.	(14 472)	15 974

The Company performed the sensitivity analysis for changes in EBITDA +/- 2.5% and in WACC +/-0.25 p.p., which demonstrated that a rational change in assumptions could result in an impairment loss being recognised for the investments in AB Kauno Tiltai if the recoverable value of investment would decrease by at least approx. PLN 2 million.

Sensitivity analysis for the investment in BTW sp. z o.o.:

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	1 310	(1 310)
WACC	+/- 0,25 p.p.	(589)	621

The Company performed the sensitivity analysis for changes in EBITDA +/- 2.5% and in WACC +/-0.25 p.p., which demonstrated that a rational change in assumptions could result in an impairment loss being recognised for the investments in BTW if the recoverable value of investment would decrease by at least approx. PLN 2 million.

Impairment tests were carried out as at the balance sheet date, according to the best knowledge at the time of their preparation. A systemic factor that may affect the future measurement of all assets, in particular financial assets (in the separate financial statements) and goodwill in the consolidated financial statements are the COVID-19 pandemic and military conflict in Ukraine. At the time of preparing these statements, it is not possible, for objective reasons, to make an overall assessment of the impact of the pandemic on test results. When assessing potential effects specific to the company, the following factors can be distinguished (with indication of their direction):

- decrease in the cost of debt financing due to the decrease in interest rates (+),
- increase in risk factors for cash generating units on the Polish and Lithuanian markets (-),
- potential decrease in labour costs and increase in labour availability (+),
- improvement of competitive position in relation to other contractors due to insignificant share of foreigners in the employment structure (+),
- potential disruptions to the continuity of contract performance due to prolonged administrative decisions (-),
- change in prices of key materials, including: (1) potential decrease in the price of petroleum-based materials (e.g. asphalt) (+), (2) potential increase in material prices due to disruption of supply chains (-),
- stimulation of the economy through governmental infrastructure investment programs (+),
- weakening of PLN against EUR and USD and potential volatility of exchange rates (+/-),
- increased risk of payment backlogs and even insolvency (-).

Taking into account the number of variables and the uncertainty related to the development of the COVID-19 pandemic as well as the conflict on Ukrainian territory and its consequences, the impairment loss tests may be susceptible to fluctuations that exceed the levels of rational changes in the key assumptions made as at the day of approval of the financial statements.

4. Explanatory notes to the statement of cash flow

The balance sheet modification of liabilities for supplies and services and other receivables as at March 31, 2022 amounted to PLN 55,233 thousand, and the modification disclosed in the cash flow statement is PLN 40,182 thousand. This difference primarily follows from the fact that the Company received a dividend from its subsidiary, AB Kauno Tiltai, in the amount of PLN 14,929 thousand (the Company informed to this effect in Current Report no. 57/2021).

5. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	31.03.2021 Unaudited	31.12.2021 Audited
Contingent receivables		
From related entities due to:	950 892	950 892
Received guarantees and sureties	950 892	950 892
From other entities due to:	80 845	80 008
Received guarantees and sureties	79 249	78 254
Bills of exchange received as collateral	1 596	1 754
Total contingent receivables	1 031 737	1 030 900
Contingent liabilities		
To related entities due to:	972 754	972 569
Provided guarantees and sureties	950 892	950 892
Bills of exchange granted under the obligation	21 862	21 677
To other entities due to:	11 201 073	10 864 913
Provided guarantees and sureties	650 311	685 047
Promissory notes	718 707	734 907
Mortgages	5 553 168	5 553 168
Assignment of receivables	1 361 577	976 023
Assignment of rights under insurance policy	165 998	165 998
Security deposits	19 506	17 964
Other liabilities	2 731 806	2 731 806
Total contingent liabilities	12 173 827	11 837 482

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

	31.03.2022 Unaudited	31.12.2021 Audited
Contingent receivables due to contracts signed with employees	-	-
Contingent liabilities due to contracts signed with employees	2 265	2 325

Jakub Lechowicz
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Paweł Nogalski
Vice-President of the Management Board

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Piotr Mechecki
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Warsaw, May 27, 2022