

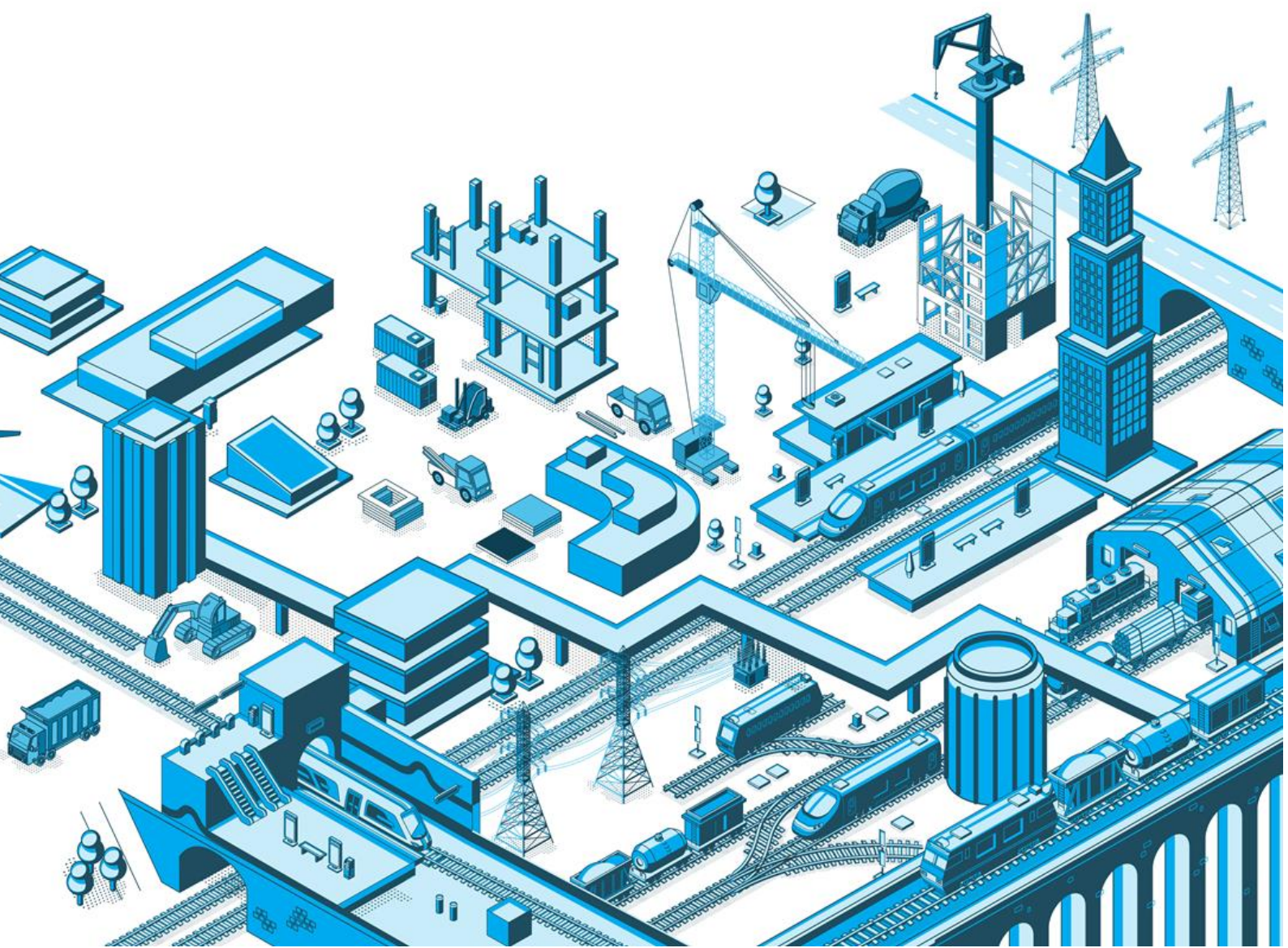


TRAKCJA  
GROUP

RAILWAY  
ROADS  
CIVIL

CONSOLIDATED HALF-YEARLY REPORT  
FOR THE PERIOD OF 6-MONTHS  
ENDED JUNE, 30 2022

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



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## SELECTED FINANCIAL DATA OF TRAKCJA CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
30.06.2022 r.	4,6427	4,4879	4,9647	4,6806
31.12.2021 r.	4,5775	4,4541	4,7210	4,5994
30.06.2021 r.	4,5472	4,4541	4,6603	4,5208

\* 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:

	30.06.2022		31.12.2021	
	kPLN	kEUR	kPLN	kEUR
Non-current assets	509 831	108 924	560 778	121 924
Current assets	735 672	157 175	817 784	177 802
<b>TOTAL ASSETS</b>	<b>1 245 503</b>	<b>266 099</b>	<b>1 378 562</b>	<b>299 726</b>
Equity	93 637	20 006	320 100	69 596
Long-term liabilities	321 427	68 672	356 358	77 479
Short-term liabilities	830 439	177 421	702 104	152 651
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 245 503</b>	<b>266 099</b>	<b>1 378 562</b>	<b>299 726</b>

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

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

	The 6 months period ended 30.06.2022		The 6 months period ended 30.06.2021	
	kPLN	kEUR	kPLN	kEUR
Sales revenues	555 423	119 634	533 973	117 429
Cost of goods sold	(683 439)	(147 208)	(542 643)	(119 336)
<b>Gross profit (loss) on sales</b>	<b>(128 016)</b>	<b>(27 574)</b>	<b>(8 670)</b>	<b>(1 907)</b>
Operating profit (loss)	(226 466)	(48 779)	(34 505)	(7 588)
<b>Gross profit (loss)</b>	<b>(243 886)</b>	<b>(52 531)</b>	<b>(41 698)</b>	<b>(9 170)</b>
Net profit (loss) from continued operations	(229 637)	(49 462)	(37 663)	(8 283)
<b>Net profit for the period</b>	<b>(229 637)</b>	<b>(49 462)</b>	<b>(37 663)</b>	<b>(8 283)</b>

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

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

	The 6 months period ended 30.06.2022		The 6 months period ended 30.06.2021	
	kPLN	kEUR	kPLN	kEUR
Cash flows from operating activities	(160 512)	(34 573)	(153 611)	(33 781)
Cash flows from investment activities	18 404	3 964	44 703	9 831
Cash flows from financial activities	30 373	6 542	47 455	10 436
<b>Total net cash flows</b>	<b>(111 735)</b>	<b>(24 067)</b>	<b>(61 453)</b>	<b>(13 514)</b>

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

	30.06.2022		30.06.2021	
	kPLN	kEUR	kPLN	kEUR
Cash at start of period	126 946	27 601	135 906	29 450
<b>Cash at end of period</b>	<b>15 211</b>	<b>3 250</b>	<b>74 453</b>	<b>16 469</b>

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

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

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

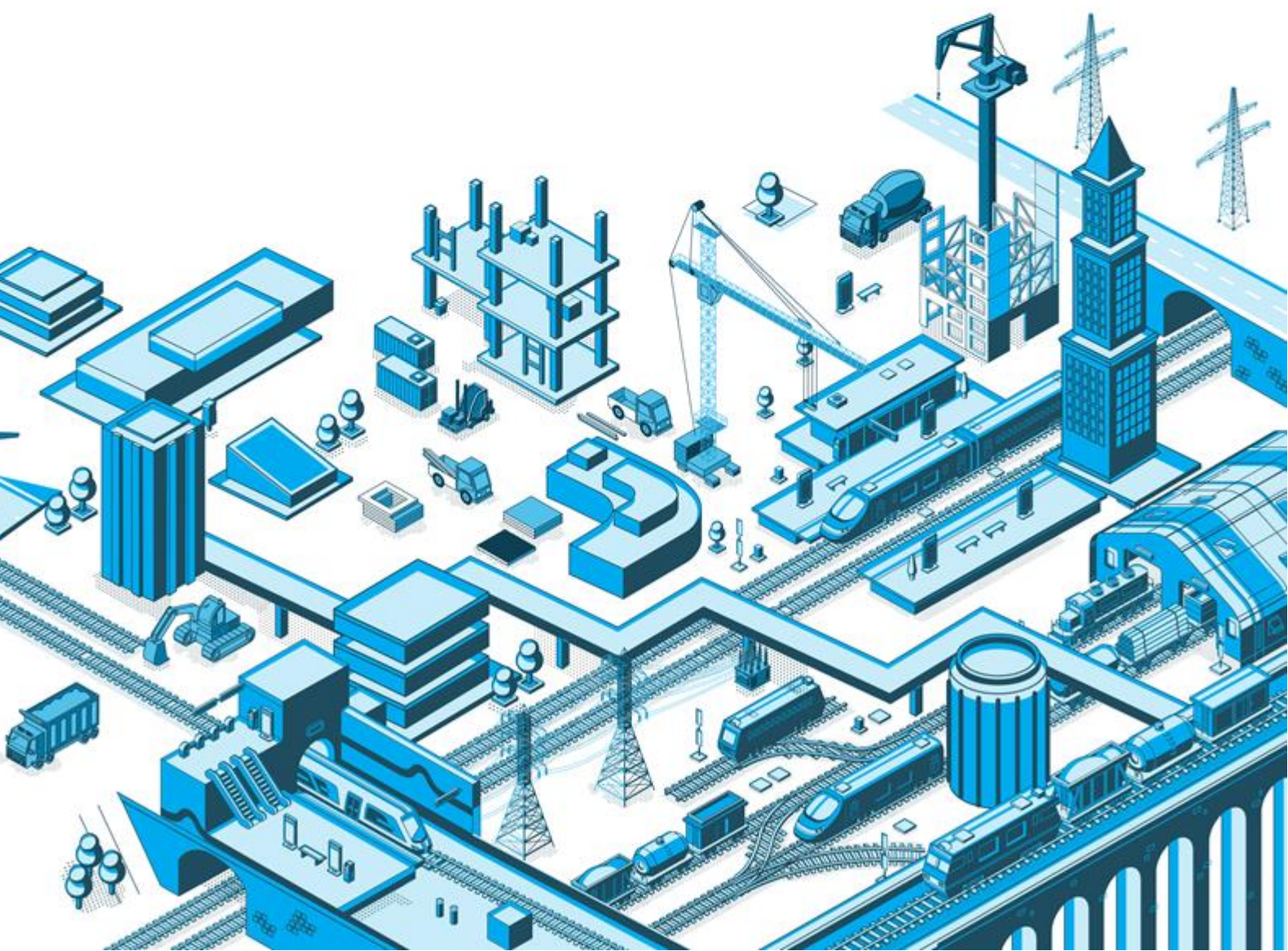
The EUR/PLN exchange rate on the last day of the reporting period ended December 31, 2020, used to calculate the value of cash at start of period ended June 30, 2021 was 4.6148 PLN/EUR.



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 6-MONTHS  
ENDED JUNE, 30 2022

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

*published in accordance with § 60 para 1 point. 2 to 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*



## 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 6 months ended June 30, 2022.

The condensed consolidated financial statements for the I half 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 June 30, 2022, which shows a net loss of PLN **229,637** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2022 to June 30, 2022, which shows the negative total comprehensive income of PLN **226,566** thousand.
3. Consolidated balance sheet as at June 30, 2022, which shows the total assets and total equity and liabilities of PLN **1,245,503** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2022 to June 30, 2022, which shows a decrease in the total net cash flows by PLN **111,735** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2022 to June 30, 2022, which shows a decrease in equity by PLN **226,463** thousand.
6. Notes. The condensed consolidated financial statements have been drawn in thousands of Polish zlotys, unless explicitly stated otherwise.

Condensed consolidated financial statements were prepared in PLN thousand, unless indicated otherwise.

Some financial and operating data included herein were rounded. Thus selected tables in these financial statements could have different sums in columns or rows than total value stated for the certain column or row.

Jakub Lechowicz  
  
President of the  
Management Board

Piotr Mechecki  
  
Vice-President of the  
Management Board

Bartłomiej Cygan  
  
Member of the  
Management Board

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**CONSOLIDATED INCOME STATEMENT**

	Note	The 6 months period ended	
		30.06.2022 Unaudited	30.06.2021 Unaudited
<b>Continued operations</b>			
Sales revenue	12	555 423	533 973
Cost of goods sold	13	(683 439)	(542 643)
<b>Gross profit (loss) on sales</b>		<b>(128 016)</b>	<b>(8 670)</b>
Cost of sales, marketing and distribution	13	(2 496)	(3 083)
General and administrative costs	15	(31 498)	(27 477)
Other operating revenues	14	4 651	5 838
Other operating costs	15	(6 995)	(1 113)
Goodwill impairment	22	(62 112)	-
<b>Operating profit (loss)</b>		<b>(226 466)</b>	<b>(34 505)</b>
Financial revenues	16	1 678	3 855
Financial costs	17	(19 098)	(11 048)
<b>Gross profit (loss)</b>		<b>(243 886)</b>	<b>(41 698)</b>
Income tax	18	14 249	4 035
<b>Net profit from continued operation</b>		<b>(229 637)</b>	<b>(37 663)</b>
<b>Net profit for the period</b>		<b>(229 637)</b>	<b>(37 663)</b>
<b>Attributable to:</b>			
Shareholders of Parent entity		(225 728)	(37 551)
Non-controlling interest		(3 909)	(112)
<b>Profit (loss) per share attributable to shareholders of parent company in the period (PLN per share)</b>			
Basic	19	(2,61)	(0,43)
Diluted	19	(2,19)	(0,36)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	The 6 months period ended	
		30.06.2022 Unaudited	30.06.2021 Unaudited
<b>Net profit for the period</b>		<b>(229 637)</b>	<b>(37 663)</b>
<b>Other comprehensive income:</b>			
<b>Other net comprehensive income that will not be reclassified into profit or loss under certain conditions:</b>		<b>342</b>	<b>479</b>
Actuarial gains/(losses)		342	479
<b>Other net comprehensive income that will be reclassified to profit or loss:</b>		<b>2 729</b>	<b>(10 693)</b>
Foreign exchange differences on translation of foreign operations		2 729	(10 693)
<b>Total other comprehensive income</b>		<b>3 071</b>	<b>(10 214)</b>
<b>Total comprehensive income for the period</b>		<b>(226 566)</b>	<b>(47 877)</b>
<b>Attributable to:</b>			
Shareholders of Parent entity		(222 670)	(47 752)
Non-controlling interest		(3 896)	(125)

**CONSOLIDATED BALANCE SHEET**

	Note	30.06.2022 Unaudited	31.12.2021 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>509 831</b>	<b>560 778</b>
Tangible non-current assets	20	263 380	265 929
Intangible assets	21	4 681	4 027
Goodwill from consolidation	22	121 166	181 589
Investment properties	23	34 854	34 905
Other financial assets	24	9 156	8 466
Deferred tax assets	18	70 095	57 889
Long-term receivables		-	32
Prepayments		6 499	7 941
<b>Current assets</b>		<b>735 672</b>	<b>817 784</b>
Inventory	25	149 516	107 272
Trade and other receivables	26	376 214	331 396
Income tax receivables		1 434	1 660
Other financial assets	24	10 527	36 663
Cash and cash equivalents	27	15 211	126 946
Prepayments		16 777	15 153
Contracts with customers assets	29	164 874	197 434
Assets held for sale	30	1 119	1 260
<b>TOTAL ASSETS</b>		<b>1 245 503</b>	<b>1 378 562</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of Parent entity</b>		<b>93 059</b>	<b>315 490</b>
Share capital	31	69 161	69 161
Share premium		199 160	199 160
Revaluation reserve		5 580	5 580
Other capital reserves		(575)	(911)
Retained earnings		(211 921)	13 568
Foreign exchange differences on translation of foreign operations		31 654	28 932
<b>Non-controlling interest</b>		<b>578</b>	<b>4 610</b>
<b>Total equity</b>		<b>93 637</b>	<b>320 100</b>
<b>Long-term liabilities</b>		<b>321 427</b>	<b>356 358</b>
Interest-bearing loans and borrowings	32	268 725	301 754
Bonds	33	28 790	28 451
Provisions	35	14 061	13 563
Liabilities due to employee benefits		3 691	3 643
Provision for deferred tax	18	6 093	8 882
Deferred revenue		58	50
Other financial liabilities		9	15
<b>Short-term liabilities</b>		<b>830 439</b>	<b>702 104</b>
Interest-bearing loans and borrowings	32	171 665	92 334
Bonds	33	376	196
Trade and other liabilities	36	413 499	370 080
Provisions	35	69 762	37 381
Liabilities due to employee benefits		18 546	17 165
Accruals		1 050	3 639
Contracts with customers liabilities	29	155 529	181 296
Liabilities of group to be classified as held for sale		12	13
<b>Total equity and liabilities</b>		<b>1 245 503</b>	<b>1 378 562</b>

**CONSOLIDATED STATEMENT OF CASH-FLOWS**

		The 6 months period ended	
	Note	30.06.2022 Unaudited	30.06.2021 Unaudited
<i>Cash flows from operating activities</i>			
Gross profit from continued operations		(243 886)	(41 698)
Adjustments for:		83 374	(111 913)
Depreciation		18 800	18 901
FX differences		1 192	(720)
Net interest and dividends		14 165	6 784
Profit on investment activities		59 560	(1 430)
Change in receivables	28	(43 825)	(35 704)
Change in inventory	28	(41 567)	590
Change in liabilities, excluding loans and borrowings	28	39 371	(35 825)
Change in prepayments and accruals	28	(2 725)	7 307
Change in provisions	28	32 668	2 941
Change in settlements from contracts	28	6 036	(70 516)
Income tax paid		(592)	(732)
Other		(85)	(1 739)
Foreign exchange differences on translation of foreign operations		376	(1 770)
Net cash flows from operating activities		(160 512)	(153 611)
<i>Cash flows from investment activities</i>			
Purchase of intangible assets		(1 280)	(780)
Sale of tangible non-current assets		3 380	55 044
Purchase of tangible non-current assets		(9 442)	(5 644)
Sale or returned financial assets		31 328	1 548
Purchase of financial assets		(5 590)	(5 606)
Interest received		8	141
Net cash flows from investment activities		18 404	44 703
<i>Cash flows from financial activities</i>			
Proceeds on account of taken borrowings and loans		57 770	120 651
Repayment of borrowings and loans		(4 764)	(57 526)
Dividend paid to non-controlling interests		(144)	-
Interest paid		(13 054)	(5 662)
Payment of liabilities under financial lease agreements		(9 443)	(10 017)
Other		8	9
Net cash flows from financial activities		30 373	47 455
Total net cash flows		(111 735)	(61 453)
Cash at start of period		126 946	135 906
Cash at end of period	27	15 211	74 453
- with limited access		2 215	1

Cash excluded from the cash flow statement as at June 30, 2021 in the amount of PLN 951 thousand relates to blocked funds on the accounts of development projects. As at June 30, 2022 there were no cash excluded from the cash flow statement..



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of Parent entity						Total	Non-controlling interest	Total equity
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals	Retained earnings	Foreign exchange differences on translation of foreign operations			
<b>As at 1.01.2022 Audited</b>	<b>69 161</b>	<b>199 160</b>	<b>5 580</b>	<b>(911)</b>	<b>13 568</b>	<b>28 932</b>	<b>315 490</b>	<b>4 610</b>	<b>320 100</b>
Net profit for the period	-	-	-	-	(225 728)	-	(225 728)	(3 909)	(229 637)
Other comprehensive income	-	-	-	336	-	2 722	3 058	13	3 071
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>336</b>	<b>(225 728)</b>	<b>2 722</b>	<b>(222 670)</b>	<b>(3 896)</b>	<b>(226 566)</b>
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(142)	(142)
Other	-	-	-	-	239	-	239	6	245
<b>As at 30.06.2022 Unaudited</b>	<b>69 161</b>	<b>199 160</b>	<b>5 580</b>	<b>(575)</b>	<b>(211 921)</b>	<b>31 654</b>	<b>93 059</b>	<b>578</b>	<b>93 637</b>

	Equity attributable to shareholders of Parent entity						Total	Non-controlling interest	Total equity
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals	Retained earnings	Foreign exchange differences on translation of foreign operations			
<b>As at 1.01.2021 Modified*</b>	<b>69 161</b>	<b>269 641</b>	<b>7 082</b>	<b>(1 020)</b>	<b>(48 451)</b>	<b>35 181</b>	<b>331 594</b>	<b>5 522</b>	<b>337 116</b>
Net profit for the period	-	-	-	-	(37 551)	-	(37 551)	(112)	(37 663)
Other comprehensive income	-	-	-	470	-	(10 671)	(10 201)	(13)	(10 214)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>470</b>	<b>(37 551)</b>	<b>(10 671)</b>	<b>(47 752)</b>	<b>(125)</b>	<b>(47 877)</b>
Distribution of profit	-	(70 481)	-	-	70 481	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(7)	(7)
Other	-	-	-	-	(77)	-	(77)	-	(77)
<b>As at 30.06.2021 Modified*</b>	<b>69 161</b>	<b>199 160</b>	<b>7 082</b>	<b>(550)</b>	<b>(15 598)</b>	<b>24 510</b>	<b>283 765</b>	<b>5 390</b>	<b>289 155</b>

	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 equity
<b>As at 01.01.2021</b>	<b>69 161</b>	<b>269 641</b>	<b>7 082</b>	<b>(1 020)</b>	<b>(48 451)</b>	<b>35 181</b>	<b>331 594</b>	<b>5 522</b>	<b>337 116</b>
<b>Modified*</b>									
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)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>(9 814)</b>	<b>(6 249)</b>	<b>(15 954)</b>	<b>(74)</b>	<b>(16 028)</b>
Distribution of profit	-	(70 481)	-	-	70 481	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(889)	(889)
Other	-	-	(1 502)	-	1 352	-	(150)	51	(99)
<b>As at 31.12.2021</b>	<b>69 161</b>	<b>199 160</b>	<b>5 580</b>	<b>(911)</b>	<b>13 568</b>	<b>28 932</b>	<b>315 490</b>	<b>4 610</b>	<b>320 100</b>
<b>Modified*</b>									

\* The restatement relates to presentation change in consolidated equity of the Group's balance sheet (see Note 8.4 herein).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

These condensed consolidated financial statements of the Trakcja Group comprise 6 months ended June 30, 2022 and comparable data.

Trakcja Group ("Group") consists of Parent Company Trakcja S.A. ("Trakcja", "Parent Company", "Company", "Parent Entity", "Issuer") and its subsidiaries.

Trakcja S.A. ("Trakcja", "Company", "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 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 PRkil S.A.
<b>29.07.2020 - now</b>	<b>Trakcja S.A.</b>

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

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

#### Change after the balance sheet date of the Parent Company with control over the Trakcja Group

As at 30 June 2022, Trakcja Group did not identify a higher-level parent company. Until 1 January 2022, Trakcja Group identified COMSA S.A.U. as the ultimate controlling parent Company due to the power to appoint and dismiss members of the Company's Management Board (based on provisions of the Company's Articles of Association), which expired on 1 January 2022. As at 30 June 2022, COMSA S.A.U. had significant influence over the activities of the Trakcja Group. As of 29 August 2022, in connection with the registration by the District Court for the Capital City of Warsaw in Warsaw, 12th Business Division of the National Court Register of the increase in the Company's share capital described in Note 21 of this report, PKP Polskie Linie Kolejowe S.A. ("PKP PLK") became the parent company with control over the Trakcja Group.

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 GSM
PKP PLK S.A.	250 000 000	74,31%	250 000 000	74,31%
COMSA S.A.U.	28 399 145	8,44%	28 399 145	8,44%
Agencja Rozwoju Przemysłu S.A.	16 117 647	4,79%	16 117 647	4,79%
Other	41 934 184	12,46%	41 934 184	12,46%
<b>Total</b>	<b>336 450 976</b>	<b>100,00%</b>	<b>336 450 976</b>	<b>100,00%</b>

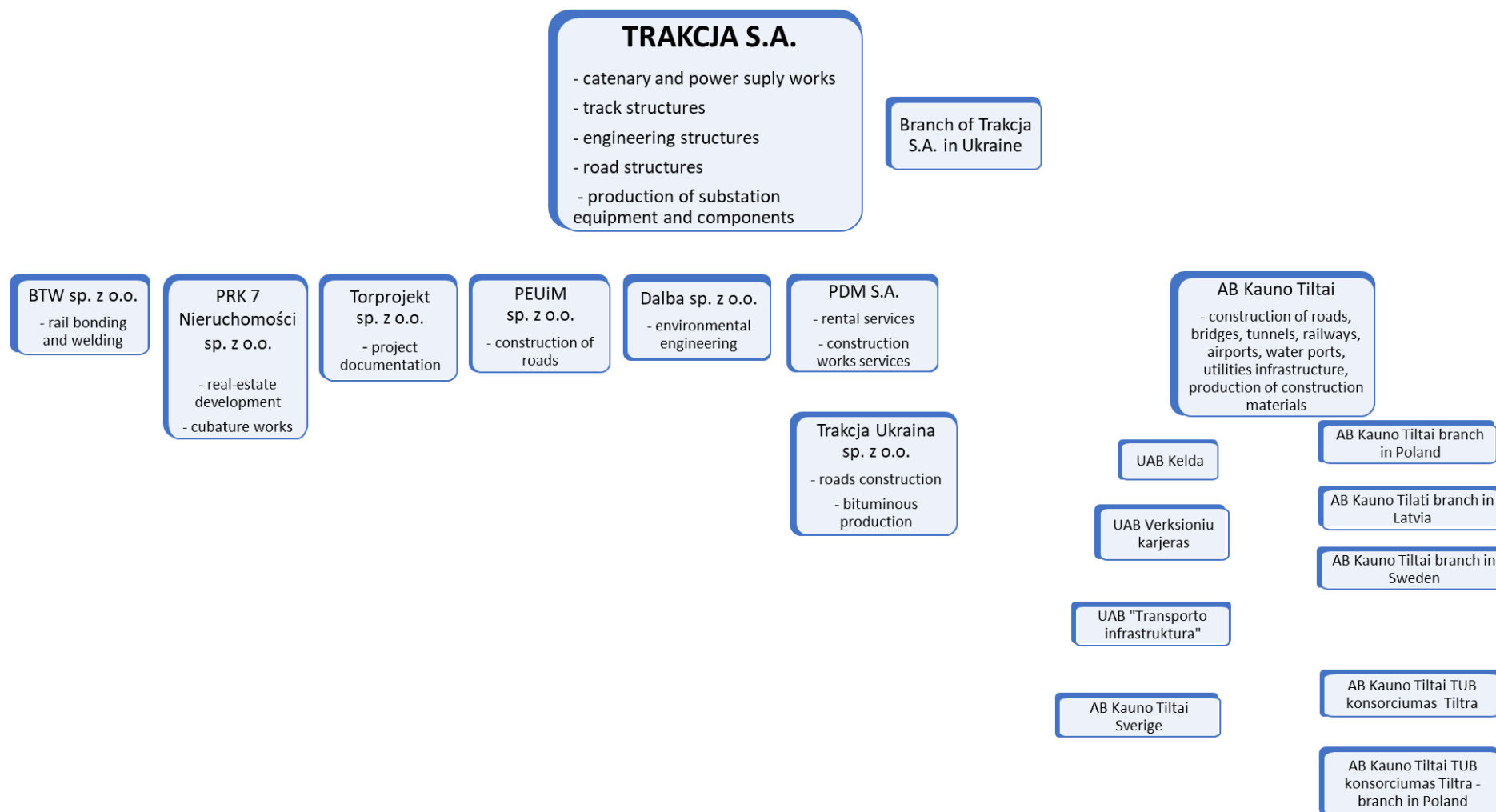
PKP PLK is the manager of the Polish national railway network. An important element of PKP PLK's activities is the implementation of investment tasks involving the modernisation of railway infrastructure, largely co-financed with public and EU funds. In addition, PKP PLK carries out a wide range of maintenance and replacement works aimed at increasing the safety of train traffic, in which it engages mainly budget subsidy funds and funds from the Railway Fund. The PKP PLK Group is Trakcja's main customer. Detailed information is provided in note 31 of this report.

Furthermore, on 28 September 2022, the shareholders of the Company - ARP and PKP PLK -acting in concert announced a tender offer for the sale of shares in Trakcja S.A. ("Tender Offer"). The subject of the Tender Offer is 70,333,329 ordinary bearer shares with a nominal value of PLN 0.80, representing approximately 20.90 per cent of the total number of shares in the Company's share capital. The Tender Offer will be conducted in two phases and will end on 8 November 2022.



## 2. Group structure including consolidated entities

As at June 30, 2022 the Group consists of the Parent Company (Trakcja S.A.) and its subsidiaries, that are consolidated using the full method. The Group's organizational structure is presented in the diagram below:



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

### 3. Changes in the Group structure

In the first half of 2022 there were no changes in the structure of the Trakcja Group including as a result of the merger of units, obtaining or loss of control over subsidiaries and long-term investments, as well as a result of division, restructuring or cessation of business.

#### Trakcja Ukraina sp. z o.o. subsidiary

In connection with military conflict in Ukraine, risks in the scope of activities of the subsidiary Trakcja Ukraina sp. z o.o. with registered office in Kiev were identified, regarding the possibility of the following events occurring:

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

As at the date of publication of this report, the Group has no information concerning the possible realization of any of the above risks. None of the above-mentioned events, in the event of its occurrence, will have a significant impact on the financial statements of both the Company and Trakcja Group.

#### Torprojekt sp. z o.o. subsidiary

In the first half of 2022, the subsidiary company, Torprojekt sp. z o.o. ("Torprojekt") updated the budget of the contract performed in connection with the agreement concluded on 10 January 2018 for "Performance of design documentation and author's supervision for the implementation of the reconstruction of the cross-city line in Warsaw under the OPI&E 5.1-13 project entitled "Works on the cross-city line in Warsaw on the section Warsaw East - Warsaw West", as well as annexes and an agreement for a similar contract to the basic contract concluded on 8 April 2021, by Torprojekt sp. z o.o., as the Leader of the Consortium composed of:

- Torprojekt sp. z o.o. - Leader of the Consortium
- Kuryłowicz & Associates sp. z o.o. - Consortium Partner

with PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw

(of which the Company informed in current report No. 58/2022).

The impact of the aforementioned contract budget update on the gross result of Torprojekt and the Group was negative and amounted to PLN 24,116,000.00. The main factors that had the most negative impact on the contract budget update amount were the correction of the earlier underestimation of subcontractor costs, wages and indirect costs. Following the above budget update, Torprojekt's equity as at 30 June 2022 was negative and amounted to PLN -19,236,000.00. Due to the deterioration of the financial situation of the Torprojekt subsidiary, the Company's Management Board, at the time of approving this report for publication, is in the process of analysing various scenarios concerning this company, taking into account market factors, business factors and the creation of added value for shareholders. The most probable one seems to be the one stipulating the recapitalisation of Torprojekt in an amount ensuring its positive capitals, i.e. not less than PLN 20 million, which will take into account the conversion into capital of granted loans and a cash contribution, which will enable the continued operation of this subsidiary.

At the date of approval for publication of this report, the Company has not made any final decisions. These abridged consolidated financial statements have been prepared on the assumption that the subsidiary Torprojekt will continue as a going concern.

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

Moreover, during first half of 2022 the Parent Company was in the process of reviewing strategic options. The Management Board was 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 was 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, the process of recapitalization of Trakcja S.A. has been completed (which was informed in current report No. 37/2022 and 56/2022), which also led to the end of strategic options review.

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

As at June 30, 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;
- Jacek Gdański - Vice-President of the Management Board;
- Piotr Mechecki - Vice-President of the Management Board.

On 11 March 2022, three members of the Management Board were dismissed: 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.

On 3 June 2022, the Parent Company received from Mr Arkadiusz Arciszewski a statement of resignation from the position of Vice-President of the Management Board and from membership of the Management Board effective 3 June 2022.

After the balance sheet date, i.e. on 21 July 2022, the Parent Company:

- received from Mr Paweł Nogalski a statement of resignation from the position of Vice-President of the Management Board and from membership of the Management Board with effect from 21 July 2022;
- the Parent Company's Supervisory Board adopted a resolution appointing Mr Bartłomiej Cygan as Member of the Management Board, Technical Director, effective 22 July 2022.

On 26 September 2022, the Parent Company received from Mr Jacek Gdański a statement of resignation from the position of Vice President of the Management Board and from membership of the Parent Company's Management Board effective at the end of 26 September 2022.

Besides the above-mentioned events, no changes in Management Board structure have been made to the date of approval of these financial statements.

As at the date of approval of these financial statements to publication, i.e. September 30, 2022, the Parent Company's Management Board was composed of the following members:

As at June 30, 2022, the Parent Company's Management Board was composed of the following members:

- Jakub Lechowicz - President of the Management Board;
- Piotr Mechecki - Vice-President of the Management Board;
- Bartłomiej Cygan - Member of the Management Board.

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

As at June 30, 2022 and as at the date of publication of this report, i.e. September 30, 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.

On June 30, 2022, the Ordinary General Meeting of the Parent Company adopted resolutions by virtue of which all the above members of the Supervisory Board were appointed for a new term of office.

On September 13 2022, the Parent Company received a statement of resignation from the Supervisory Board by Mr Julio Alvarez Lopez, Mr Jorge Miarnau Montserrat and Mr Miquel Llevat Vallespinosa, which will take effect on October 12, 2022, i.e. on the date of the Extraordinary General Meeting and the election of new members of the Supervisory Board.

Besides above-mentioned events, no changes in Supervisory Board structure have been made to the date of approval of these financial statements.

## 6. Approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board on September 30, 2022.

## 7. Basis for preparing the consolidated financial statements

The condensed consolidated financial statements for the period between January 1, 2022 and June 30, 2022 were prepared in accordance with International Accounting Standard no. 34 "Interim Financial Reporting" approved by the European Union as well as in accordance with the relevant accounting standards applicable to interim financial reporting approved by the European Union, published and in force at the time of preparation of the interim financial statements, applied to both current and comparable periods.

Financial statements presentation is based on IAS 34 which was applied to both current and comparable periods, with adjustment of the comparable periods to the changes in accounting principles and in presentation used in current reporting period.

Condensed consolidated financial statements do not include all information and disclosures required in annual financial statements thus it shall be read together with annual financial statements of Trakcja Group for the financial year 2021.

## 8. Accounting principles and changes during I half of 2022

### 8.1. Significant values based on professional judgment, estimates and assumptions

Significant values based on professional judgement and estimates are described in detail in selected notes to the consolidated annual financial statements of Trakcja Group for 2021. In the first half-year of 2022, no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at June 30, 2022, regarding valuation of construction contracts and goodwill (see Note 12 and Note 22 hereof respectively).

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



## Professional judgment

### 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 half 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 Parent 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. In the first half of 2022 the Parent Company neither have taken control on any entity nor identified a premises for a loss of control.

## 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 Group – 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. Detailed information regarding the measurement of long-term construction contracts is provided in Note 12 hereof.

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. 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.

As at June 30, 2022 the Management Board of Parent Company decided to make a change in the assumed estimates of the amounts concerning valorisation in selected contracts' budgets performed for PKP PLK. Estimated impact on gross result on sales for the Company and the Group was negative and amounted to PLN 37,6 million.

### 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 June 30, 2022 was presented in the total amount of provisions in Note 35 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 6-month period ended June 30, 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 June 30, 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 June 30, 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 22 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 – real estate**

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 40 of this report.

#### **Impairment of inventories – other**

The Management Board assesses whether there are any indications of possible impairment of inventories in accordance with Note 3.8 of the Additional information and notes to the annual consolidated financial statements for 2021. The impairment occurrence require the estimate of net value needed for recognizing the inventory items, that lost their usage characteristics and usefulness. Change in write-down on inventories is presented in Note 40 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 40 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 38. 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.

## **8.2. Statement of compliance**

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

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

These consolidated financial statements are prepared on the assumption that the Group remains a going concern in the foreseeable future. As at the date of authorisation of these consolidated financial statements, there are circumstances indicating a threat of continuation operations by the Group. Details are described in note 9 of this report.

## **8.3. Key accounting principles**

Key accounting principles (policy) used to prepare these condensed consolidated financial statements for the first half of 2022 are consistent with those applied in the preparation of the annual consolidated financial statements for 2021, except the ones described in Note 8.4 herein.

Detailed information concerning the key accounting principles within the Group is presented in annual consolidated financial statements of Trakcja Group for 2021.

**Measurement currency and reporting currency**

The Polish zloty is the measurement currency of the Parent Company and most companies within the Group, as well as the reporting currency in these condensed consolidated financial statements for I half of 2022. The measurement currency for the companies located in Lithuania and for the AB Kauno Tiltai branch in Latvia is euro, for the AB Kauno Tiltai Sverige and AB Kauno Tiltai branch in Sweden is Swiss crown (SEK), and for both the Trakcja Ukraina sp. z o.o. and Trakcja S.A. branch in Ukraine is Ukrainian hryvnia (UAH). Measurement currencies for particular companies within the Group that are operating abroad have not changed since those presented in annual consolidated financial statements of Trakcja Group for financial year ended 2021, which were disclosed in Note 1.6 therein.

Exchange rate on the reporting date	30.06.2022	31.12.2021
PLN/USD	4,4825	4,0600
PLN/EUR	4,6806	4,5994
PLN/SEK	0,4373	0,4486
PLN/UAH	0,1467	0,1487
<b>Average rate, calculated as the arithmetic mean of monthly average rates</b>		
PLN/USD	4,2376	3,8615
PLN/EUR	4,6330	4,5660
PLN/SEK	0,4423	0,4500
PLN/UAH	0,1440	0,1417

**Consolidation principles**

Consolidation principles used to prepare these condensed consolidated financial statements are identical in every significant aspect to principles that were detailed in particular notes to audited consolidated financial statements of Trakcja Group for financial year ended 2021, prepared in accordance to International Financial Reporting Standards.

**8.4. Effect of application of new accounting principles and changes to the accounting policy****Changes to the standards used in 2022 for the first time**

The Group applied the following changes to standards for the first time:

- Amendments to IFRS 3: Amendments updating a reference to the Conceptual Framework (published on May 14, 2020) – applicable to annual periods beginning on or after January 1, 2022;
- Amendments to IAS 16: Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (published on May 14, 2020) – applicable to annual periods beginning on or after January 1, 2022;
- Amendments to IAS 37: Amendments regarding the costs to include when assessing whether a contract is onerous (published on May 14, 2020) – applicable to annual periods beginning on or after January 1, 2022;
- Amendments due to review of IFRS 2018-2020 (published on May 14, 2020) – applicable to annual periods beginning on or after January 1, 2022.

Above-mentioned amendments had no significant impact on current accounting policy used within the Group.

**Standards and interpretations that have been issued by the IASB and have not yet entered into force at the balance sheet date**

IFRS approved by the European Union do not differ significantly from regulations approved by International Accounting Standards Board (IASB), besides the standards and amendments to standards which as at the balance sheet date were not in force to use:



- 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 2024),
- 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: IFRS 16 “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.

#### Changes made independently by the Group

In consolidated financial statements for 2021 the Group made a presentation change of equity items as at December 31, 2021 and comparable data, i.e. as at December 31, 2020. Detailed information is presented in Note 1.7 to annual consolidated financial statements of Trakcja Group for 2021.

In first half of 2022 the Group updated the accounting policy in terms of standardization of rules applied to guarantees for granted or received loans and borrowings within Capital Group or from/to external entities. In accordance with IFRS 9 the Group recognize revenues or costs concerning guarantees for granted or received loans and borrowings within the Trakcja Group or from/to external entities. The guarantor recognize the revenue (the entity that receives the guarantee recognize the cost) during the guarantee period.

## 9. Going concern assumption

The abridged financial statements of the Parent Company for the six months ended on 30 June 2022 have been prepared on a going concern basis and therefore do not include any adjustments relating to different measurement and classification of assets and liabilities that would be necessary if the Parent Company's going concern assumption proved to be unjustified.

Based on the data and assumptions made as at the date of approval for publication of the consolidated quarterly report for Q1 2022, i.e. 27 May 2022, a financing gap relating to the Parent Company of approximately PLN 178 - 240 million was identified (the financing gap presented in the financial statements for 2021 was PLN 116 - 176 million; the reported value of the financing gap was an estimate of imprecise information changing over time depending on the assumptions made as to the occurrence of future events and subject to a high risk of volatility over time).

The financial gap described above was calculated prior to the events described below:

- a) the updating of contract budgets and the change in the adopted estimates of the value of valorisation in the budgets of certain contracts, together with the impact of the settlement of the settlements concluded with PKP PLK as at 30 June 2022, which the Parent Company announced in current report No. 55/2022;
- b) a write-down of loans granted to the Torprojekt sp. z o.o. subsidiary as at 30 June 2022, as the Parent Company announced in current report No. 63/2022;

c) the possible recapitalisation of the Torprojekt sp.z.o.o. subsidiary contemplated by the Parent Company in an amount ensuring its positive capitals (which would take place after the balance sheet date and after the date of approval of this report for publication), as reported in current report No. 58/2022.

The total deterioration in future cash flows due to the events described in the above paragraphs could amount to approximately PLN 106 - 120 million.

During the first half of 2022 and up to the date of approval for publication of this report, the Parent Company has been working intensively on raising financings to cover the financing gap referred to above:

1. On 22 June 2022, the Parent Company entered into an investment agreement with PKP PLK, pursuant to which PKP PLK agreed to subscribe for 250 million Series E ordinary registered shares in the Parent Company's increased share capital, at an issue price of PLN 0.80 per Series E share, in exchange for a cash contribution of PLN 200,000,000.00 ("Series E Shares"). Subsequently, on 23 June 2022, Trakcja's EGM adopted a resolution on increasing the Parent Company's share capital by issuing Series E Shares. On 8 July 2022, Trakcja and PKP PLK entered into a share subscription agreement. On 29 September 2022, registration of the capital increase in the National Court Register took place. Detailed information was presented in current reports nos. 37/2022, 39/2022, 49/2022 and 56/2022.
2. On 28 June 2022, as a result of mediations conducted with the contracting entity - PKP PLK - with the participation of the mediator of the Court of Arbitration at the State Treasury Solicitor's Office of the Republic of Poland, concerning the Parent Company's claims against PKP PLK resulting from court proceedings and PKP PLK's claims against the Parent Company resulting from the development of foundation piles, the Parent Company concluded settlements with PKP PLK. Pursuant to the settlements, all mutual claims between the Company and PKP PLK were settled, according to which, as a result of mutual settlements, the Parent Company will receive from PKP PLK a gross payment of PLN 41,750,000.00. On 2 August 2022, the Parent Company and PKP PLK received a court order approving the last of the concluded settlements and discontinuing the court cases covered by the settlements, which was a condition for the Company to receive payment from PKP PLK under the concluded settlements. The cash inflow to the Company from the settlements, after taking into account the necessary payments, amounted to PLN 34,065,000.00. Detailed information was presented in current reports nos. 45/2022 and 52/2022.
3. In addition, in the first half of 2022 and up to the date of approval for publication of this report, the Parent Company received the following cash inflows from dividends from subsidiaries:
  - a. PLN 14,929,000.00, i.e. 1/3 of the amount of the dividend adopted by the General Meeting of the AB Kauno Tiltai subsidiary on 23 December 2021 (details in current report no. 57/2021);
  - b. PLN 7,395,000.00 from the dividend adopted by the General Meeting of the AB Kauno Tiltai subsidiary on 29 April 2022 (details in current report no. 23/2022).
4. On 6 September 2022, the Company recorded the receipt of an advance payment on the contract "Reconstruction of railway line No. 7 - Warszawa Wschodnia - Wawer" with a gross value of PLN 51,950,000.00.

The Parent Company's equity as at 30 June 2022 amounted to PLN 63,547,000.00 and was lower than the value of the Parent Company's share capital by PLN 5,614,000.00. The Parent Company's net loss in the first half of 2022 of PLN 220,193,000.00, together with accumulated losses from previous years, did not exceed the sum of the Parent Company's supplementary capital, reserve capital and one-third of the share capital. After the balance sheet date, due to the registration of the Parent Company's capital increase in the National Court Register, there was an increase in the value of the share capital and thus Trakcja's equity by PLN 200 million.

Based on the data and assumptions made at the time of approval for publication of this report, a financing gap of approximately PLN 46 - 68 million was identified for the Company. The amount was estimated by an external advisor based on the data and assumptions provided by the Company. The reported value of the financing gap is an estimate that is imprecise and changes over time depending on the assumptions made as regards the occurrence of future events and is subject to a high risk of volatility over time.

Trakcja has an active liquidity management policy, monitoring liquidity on an ongoing basis in the short and long term, and carries out weekly cash flow monitoring in an effort to maintain a stable level of available funding. In order to maintain liquidity, the Parent Company takes steps to obtain contracts for which advances are provided. In addition, Trakcja implements an active policy of maintaining a low level of receivables, managing inventories, selling key materials to contracting entities in the initial phase of contract performance and negotiating with subcontractors to extend payment terms. The Parent Company places great emphasis on optimising invoicing processes by shortening the period between the performance of works and the invoicing of completed works. The Parent Company believes that the above measures will lead to a reduction in the financing gap identified at 30 June 2022.

The amount of future cash flows is influenced by the amount of estimated to be received revenues from variable remuneration included in contract budgets concerning valorisation. As at 30 June 2022, the value of uninvoiced revenues from valorisation (after adjustment as disclosed by the Parent Company in current report No. 53/2022 and referred to in note 5 of this report) amounted to PLN 70.3 million. The future recoverability of the additional remuneration due to valorisation is subject to uncertainty and will affect the Parent Company's liquidity.

In view of the above, in the opinion of the Management Board, the risk of a threat to the Parent Company's going concern, related to the lack of sufficient liquidity to carry out its operations, still exists and is due to the factors indicated above. However, due to events occurring after the balance sheet date, i.e. the recapitalisation of the Parent Company in the amount of PLN 200 million, receipt of an advance payment for the Warszawa Wschodnia-Wawer contract in the amount of PLN 52 million and the receipt of funds from settlements with PKP PLK, the risk of the Parent Company continuing as a going concern was minimised in the perspective of at least 12 months from the date of approval for publication of these statements. The Parent Company's Management Board has prepared these financial statements on the assumption that the Parent Company will continue as a going concern during this period.

## **10. 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 6-month period ended June 30, 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. The main impact on the results achieved during in the first half-year of 2022 was primarily affected by the contracts completed by the Group.

## 11. Information concerning operating and geographical segments

Detailed information concerning segments is presented in annual consolidated financial statements of Trakcja Group for 2021.

### Key customers:

In the first half of 2022 revenues from transactions with single external clients amounted to 10% or more of the total amount of revenues within the Group. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below.

<b>Total revenue obtained in IH 2022 by a single recipient (TPLN)</b>	<b>Operation segment containing the revenues</b>
124 000	Civil construction - Poland
75 435	Civil construction - Poland
68 832	Construction, Engineering and Concession Agreements Segment - Baltic countries
60 820	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****The 6 months period ended****30.06.2022****Unaudited**

	<b>Continued operations</b>						
	<b>Civil Building Segment - Poland</b>	<b>Construction, Engineering and Concession Agreements Segment - Baltic countries</b>	<b>Other segments</b>	<b>Total</b>	<b>Discontinued operations</b>	<b>Exclusions</b>	<b>Total operations</b>
<b>Revenues</b>							
Sales to external customers	284 407	246 103	24 913	555 423	-	-	555 423
Sales between segments	12	-	1	13	-	(13)	-
<b>Total segment revenues</b>	<b>284 419</b>	<b>246 103</b>	<b>24 914</b>	<b>555 436</b>	<b>-</b>	<b>(13)</b>	<b>555 423</b>
<b>Results</b>							
Depreciation	12 190	6 428	182	18 800	-	-	18 800
Financial revenues - interests	45	123	228	396	-	(275)	121
Financial expenses - interests	17 217	734	203	18 154	-	(275)	17 879
<b>Gross profit</b>	<b>(192 424)</b>	<b>(44 840)</b>	<b>773</b>	<b>(236 491)</b>	<b>-</b>	<b>(7 395)</b>	<b>(243 886)</b>

**The 6 months period ended****30.06.2021****Unaudited**

	<b>Continued operations</b>						
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
<b>Revenues</b>							
Sales to external customers	343 873	179 548	10 552	533 973	-	-	533 973
Sales between segments	339	-	51	390	-	(390)	-
<b>Total segment revenues</b>	<b>344 212</b>	<b>179 548</b>	<b>10 603</b>	<b>534 363</b>	<b>-</b>	<b>(390)</b>	<b>533 973</b>
<b>Results</b>							
Depreciation	12 823	5 876	202	18 901	-	-	18 901
Financial revenues - interests	484	280	97	861	-	(218)	643
Financial expenses - interests	7 573	261	93	7 927	-	(218)	7 709
<b>Gross profit</b>	<b>(32 988)</b>	<b>(7 350)</b>	<b>(2 285)</b>	<b>(42 623)</b>	<b>-</b>	<b>925</b>	<b>(41 698)</b>

**As at 30.06.2022****Unaudited**

	<b>Continued operations</b>						
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
<b>Segment assets</b>	<b>902 594</b>	<b>485 371</b>	<b>59 384</b>	<b>1 447 349</b>	<b>-</b>	<b>(271 941)</b>	<b>1 175 408</b>
Assets not allocated to segments							70 095
<b>Total assests</b>							<b>1 245 503</b>
<b>Segment liabilities*</b>	<b>606 294</b>	<b>308 969</b>	<b>18 015</b>	<b>933 278</b>	<b>-</b>	<b>(102 839)</b>	<b>830 439</b>
<b>Other disclosures:</b>							
Capital expenditures	9 260	10 608	6	19 874	-	-	19 874
Impairment of non-financial assets	(486)	-	-	(486)	-	-	(486)

\*short-term liabilities were allocated to assess segment



**As at 31.12.2021****Audited**

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total			
<b>Segment assets</b>	<b>1 017 818</b>	<b>549 343</b>	<b>56 633</b>	<b>1 623 794</b>	<b>-</b>	<b>(302 021)</b>	<b>1 321 773</b>
Assets not allocated to segments							56 789
<b>Total assets</b>							<b>1 378 562</b>
<b>Segment liabilities*</b>	<b>462 118</b>	<b>319 570</b>	<b>15 007</b>	<b>796 695</b>	<b>-</b>	<b>(94 591)</b>	<b>702 104</b>
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**

The data presented below includes basic information concerning geographical segments.

**The 6 months period ended****30.06.2022****Unaudited**

	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
<b>Revenues</b>						
Sales to external customers	309 320	246 103	555 423	-	-	555 423
Sales domestic/ abroad	1	-	1	-	(1)	-
<b>Total segment revenues</b>	<b>309 321</b>	<b>246 103</b>	<b>555 424</b>	<b>-</b>	<b>(1)</b>	<b>555 423</b>

**The 6 months period ended****30.06.2021****Unaudited**

	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
<b>Revenues</b>						
Sales to external customers	354 462	179 511	533 973	-	-	533 973
Sales domestic/ abroad	335	-	335	-	(335)	-
<b>Total segment revenues</b>	<b>354 797</b>	<b>179 511</b>	<b>534 308</b>	<b>-</b>	<b>(335)</b>	<b>533 973</b>

**As at 30.06.2022****Unaudited**

	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	956 042	491 307	1 447 349	-	(271 941)	1 175 408
Segment liabilities*	640 068	293 210	933 278	-	(102 839)	830 439

\*short-term liabilities were allocated to assess segment

**As at 31.12.2021****Audited**

	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	1 068 506	555 288	1 675 943	-	(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

## 12. Sales revenues

Main types of products and services	The 6 months period ended	
	30.06.2022	30.06.2021
	Unaudited	Unaudited
Revenues from sale of construction services	541 475	512 974
Revenues from design services	(3 236)	10 838
Revenues from Equipment rental	2 356	817
Deliveries of products (switchgears, supporting structures, etc.)	1 967	7 654
Deliveries of goods and materials	1 540	379
Development activities	5 915	-
Other	5 406	1 311
<b>Total</b>	<b>555 423</b>	<b>533 973</b>

Allocation of revenues by country	The 6 months period ended	
	30.06.2022	30.06.2021
	Unaudited	Unaudited
Poland	305 997	353 765
Lithuania	179 705	155 669
Sweden	59 038	21 009
Latvia	7 359	2 833
Germany	3 324	697
<b>Total</b>	<b>555 423</b>	<b>533 973</b>

Allocation of revenues by recipients	The 6 months period ended	
	30.06.2022	30.06.2021
	Unaudited	Unaudited
Public sector	504 873	505 455
Private Sector	50 550	28 518
<b>Total</b>	<b>555 423</b>	<b>533 973</b>

Breakdown of sales revenues according to the duration of contracts, measured from the balance sheet date	The 6 months period ended	
	30.06.2022	30.06.2021
	Unaudited	Unaudited
Up to 12 months	162 462	277 371
Over 12 months	392 961	256 601
<b>Total</b>	<b>555 423</b>	<b>533 973</b>

Revenue earned by the Group is recognized in three operating segments which are the same reporting segments.

### Variable remuneration for construction contracts

The Group included in the valuation of construction contracts variable remuneration resulting from court and out-of-court claims and contractual conditions on the basis of lower conditions, which also require a subjective judgment of the Management Board of the Company. The recognition of variable remuneration was linked to make estimates that required inherent uncertainty. In the opinion of the Management Board of the Company there is no high risk of future reversal of income recognized as a result of recognition of variable remuneration. The total value of income resulting from recognition of variable remuneration recognized in the financial period ended June 30, 2022 and prior years amounts to PLN 131,4 thousand.

### Court and contractual claims

As at June 30, 2022, in contract budgets variable remuneration resulting from contractual claims was recognized and included in revenue - according to the stage of completion of the contract:

- pursued in courts; estimated and taking into account the probability coefficients of obtaining the amounts requested; and

- pursued through contract negotiations with the Parent Company's customers.

An analysis of opportunities and risks is carried out for each contract in the Group, taking into account contractual, legal and technical implications and expert judgment. Contract records, performance (or non-performance) of contractual obligations by all parties to the contract and the actual chances of payment of the claim are taken into account.

The revenue on court and contractual claims were recognized in the Parent Company's balance sheet as at June 30, 2022 in the amount of PLN 47,5 million.

#### **Settlements concluded with PKP PLK in the first half of 2022**

On June 28, 2022 the Parent Company informed that, as a result of mediations conducted with the contracting entity, PKP PLK with the participation of the mediator of the Court of Conciliation at the State Treasury Solicitor's Office of the Republic of Poland concerning the Parent Company's claims against PKP PLK resulting from pending court proceedings and PKP PLK's claims against the Parent Company resulting from the development of foundation piles, the Parent Company concluded settlements with PKP PLK. On August 2, 2022 the Parent Company and PKP PLK have received the court order approving the last settlement and which discontinues court litigation covered by the settlements, which was a condition of receiving payment by the Parent Company from PKP PLK pursuant to the concluded settlements. Under the settlements, all mutual claims between the Parent Company and PKP PLK were settled, according to which, as a result of mutual settlements, the Parent Company received payment from PKP PLK in the amount of PLN 41,8 million gross. According to the Parent Company's assumptions, the conclusion of settlements had a negative impact on the financial result of both the Company and the Group in the amount of PLN 0.6 million. After taking into account the necessary payments, the inflow of cash to the Parent Company due to settlements amounted to PLN 34.1 million. Detailed information was presented in current reports no. 45/2022 and 52/2022.

#### **Estimated additional revenue under individual contracts**

For some ongoing contracts, the Group, when establishing the contract budget and its expected result, takes into account variable amounts of remuneration (hereinafter called "Conditional Amounts") and recognizes them in revenue, according to the stage of completion of the contract. Conditional Amounts arise from contractual provisions and may become due to the Group in the event of future events, inter alia such as additional work not included in the contract. Their nature means, that the final acquisition and value of Conditional Amounts are subject to uncertainty. Conditional Amounts shall be included in the budgets of contracts only if there is a high probability of receiving.

#### **Indexation of the contractual remuneration**

In the contract budgets, the Group includes remuneration for the indexation of the contractual remuneration [(price increase index defined in the contracts) compared to the conclusion date of the contract], if the contract provides for it, and recognizes this remuneration as income, according to the stage of completion of the contract.

Contract value principles are defined individually in project-specific contracts and the Group calculates the additional compensation arising from indexation on the basis of contractual terms.

Some of the agreements concluded contain a maximum limit to which the indexation may be calculated. The indexation records, even in the case of contracts with the same customers, vary according to the date of their conclusion. The indexation on individual contracts refers to the different indicators published by GUS (the Central Statistics Office) according to the contract. In the case of part of the contracts, the payment of the additional remuneration as a result of the indexation shall be subject to the minimum value of the above mentioned indicators or to the condition that the progress of the work is made in accordance with the material and financial timetable.

As at the date of approval of these financial statements, not all Group's requests for indexation have been considered and among considered only part has been accepted. The calculation of the indexation amount is complex and for some contractual provisions there are differences of interpretation between the Group and its clients, which is typical for the entire infrastructure construction industry in the opinion of the Management Board of the Parent Company. The opinion of the Management Board of the Parent Company in respect of the right to indexation and calculation of amounts due to the Group is supported by opinions of external advisors and emerging judicial case law (for the benefit

of companies – contractors of construction services) relating to agreements of other entities in which similar provisions are made in the field of indexation, as in the Group's agreements.

It should be pointed out that, in the absence of uniform market standards for the calculation of the amount of indexation, the calculation of the indexed remuneration is subject to risks and uncertainties. As at June 30, 2022 the Parent Company has made a correction regarding the accrued valorization value in the budgets of specific contracts. The impact of the above-mentioned decision of the Management Board on the gross result on sales was negative and amounted to PLN 37.6 million.

#### Assumptions concerning the completion of two contracts after the finalization of design stage

The Parent Company assumes the possible scenarios for two railway contracts concerning the feasibility and profitability of these contracts and the risks associated with the calculation of contractual penalties by the Ordering Party in the event of non-performance of contracts or their performance on a different date than that resulting from the concluded agreements. In conjunction with the lack of possibility to complete the works within agreed scope as at June 30, 2022 due to the technical impracticability of the concluded agreements, as at the balance sheet date the Parent Company assumed that the most optimal scenario includes the early termination of contracts by the agreement of the parties and lack of penalties. At the same time the Company does not exclude the scenario of unilateral withdrawal from the contracts. In the opinion of the Management Board of the Company, the calculation of contractual penalties by the Ordering Party could be unfounded, and the Company has taken actions aimed at mitigating such risk, which exists as at the date of approval for the publication of this report. Starting from the financial statements for 2021 and as at June 30, 2022, the budgets of both contracts assume the completion of their implementation after the finalization of the design state. The Parent Company sees the possibility of returning to the full implementation of contracts in the event of the cessation of obstacles preventing their performance. As at the date of approval of this report for publication, the Parent Company is analyzing various scenarios for the implementation of the above-mentioned contracts and their impact on future cash flows.

## 13. Operating expenses

### Costs by type

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Depreciation	18 800	18 901
Consumption of materials and energy	203 942	153 385
External services	282 250	253 632
Taxes and charges	2 154	2 381
Payroll	119 513	109 626
Social security and other benefits	20 976	19 863
Other types of costs	26 904	14 913
<b>Total costs by type</b>	<b>674 539</b>	<b>572 701</b>
Change in inventories, products and prepayments	18 245	(1 026)
Cost of manufacture of products for the entity's own needs (negative value)	(3 265)	(3 854)
Cost of sales, marketing and distribution (negative value)	(2 496)	(3 083)
General and administrative costs (negative value)	(31 498)	(27 477)
<b>Manufacturing cost of products sold</b>	<b>655 525</b>	<b>537 261</b>
<b>Value of materials and goods sold</b>	<b>27 914</b>	<b>5 382</b>
<b>Cost of goods sold</b>	<b>683 439</b>	<b>542 643</b>

## 14. Other operating revenues

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Profit on sale of non-financial non-current assets	2 538	1 482
Revenue from updating leasing schedules	480	-
Revenue from recognition of output VAT on the use of company cars for private purposes	333	233
Redeemed liabilities	318	11
Profit from lease of investment real estate	261	123
Received penalties and fines	110	723
Reinvoicing of costs	40	36
Redemption of subsidies received from the Polish Development Fund	-	2 217
Surplus of stocktaking	-	151
Revenue from patents and licenses	-	21
Other	571	841
<b>Total</b>	<b>4 651</b>	<b>5 838</b>

## 15. Other operating costs

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Paid fines, compensation	5 193	188
Litigation costs paid	236	169
Donations made	149	48
Value of liquidated non-financial assets	200	595
VAT not deductible	559	-
Repair	12	-
Other	646	113
<b>Total</b>	<b>6 995</b>	<b>1 113</b>

In the item "Paid fines, compensation", the Group recognised costs resulting from settlements concluded on 28 June 2022 with PKP PLK concerning the Trakcja's claims against PKP PLK resulting from court proceedings and PKP PLK's claims against the Company resulting from the development of foundation piles (which the Company reported in current report no. 45/2022) in the amount of PLN 5,078,000.00. The total impact of the concluded settlements on the Company's financial result was negative and amounted to PLN 618,000.00.



## 16. Financial revenues

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Financial revenues from interest, including:	121	643
- bank interest	43	13
- interest on receivables	71	484
- other	7	146
Revenue from overpaid PCC tax on loan agreements	1 052	-
Foreign exchange rate gain	333	672
Release of provision for interest on liabilities	20	2 311
Other financial revenues	152	229
<b>Total</b>	<b>1 678</b>	<b>3 855</b>

## 17. Financial costs

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Financial costs on account of interest, including:	17 879	7 709
- interest on loans and borrowings	11 853	4 299
- on liabilities	3 306	622
- on bonds	1 074	740
- on leasing	1 555	1 960
- on liability from employee benefits	88	86
- other	3	2
Financial commission paid	997	2 828
PCC tax from loans agreements	5	250
Factoring related costs	33	33
Other financial costs	184	228
<b>Total</b>	<b>19 098</b>	<b>11 048</b>

## 18. Income tax

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
<b>Current income tax:</b>	<b>845</b>	<b>796</b>
- current income tax charge	730	799
- adjustments related to current income tax from previous years	115	(3)
<b>Deferred tax:</b>	<b>(15 094)</b>	<b>(4 831)</b>
- related to increase and decrease in temporary differences	(15 094)	(4 831)
<b>Total</b>	<b>(14 249)</b>	<b>(4 035)</b>

Income tax was partially determined according to the rate of 19% applicable to legal entities that operate in Poland. The income tax rates applicable to foreign companies being members of Trakcja Group in the first half of 2022 are as follows: 15% in Lithuania, 20,6% in Sweden (30.06.2021:21,4%), 0% in Latvia and 18% in Ukraine.

**Income tax recognised in other comprehensive income**

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
<b>Actuarial gains (losses)</b>		
Included in the gross amount	403	564
Income tax	(61)	(85)
<b>Included in the net amount</b>	<b>342</b>	<b>479</b>
<b>Foreign exchange differences on translation of foreign operations</b>		
Included in the gross amount	2 729	(10 693)
<b>Included in the net amount</b>	<b>2 729</b>	<b>(10 693)</b>

**19. Earnings (loss) per share**

Net profit per share for each period is calculated by dividing net profit for the period by the weighted average number of shares in a given reporting period.

In order to calculate diluted net profit per share, the values used in the calculation of basic earnings per share have been adjusted to reflect:

- the impact of costs on account of bond interest after income tax
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The dilution of profit per share results from the issue of convertible bonds, as specified in detail in note 33 hereof.

Earnings (loss) per share:

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Net profit (loss) from continued operations	(229 637)	(37 663)
Net profit (loss) applied to calculate diluted earnings per share	(228 767)	(37 064)
Net profit (loss) from continued operations attributable to shareholders of Parent entity	(225 728)	(37 551)
Net profit attributable to shareholders of Parent entity applied to calculate diluted earnings per share	(224 858)	(36 952)
Number of issued shares (pcs)	86 450 976	86 450 976
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	86 450 976	86 450 976
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	102 730 086	102 730 086

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

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
- basic	(2,66)	(0,44)
- diluted	(2,23)	(0,36)

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

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
- basic	(2,66)	(0,44)
- diluted	(2,23)	(0,36)

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

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
- basic	(2,61)	(0,43)
- diluted	(2,19)	(0,36)

## 20. Tangible non-current assets

Below is presented the structure of tangible fixed assets:

As at 30.06.2022	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Own	55 758	67 300	26 401	7 075	6 274	162 808
Used on the basis of a rental, lease, or other contract, including leasing	14 985	45 316	40 075	196	-	100 572
<b>Total</b>	<b>70 743</b>	<b>112 616</b>	<b>66 476</b>	<b>7 271</b>	<b>6 274</b>	<b>263 380</b>

As at 31.12.2021	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Own	57 208	68 363	27 183	7 229	923	160 906
Used on the basis of a rental, lease, or other contract, including leasing	14 577	46 971	43 258	217	-	105 023
<b>Total</b>	<b>71 785</b>	<b>115 334</b>	<b>70 441</b>	<b>7 446</b>	<b>923</b>	<b>265 929</b>

Below is presented the change in the status of fixed assets used under a lease or other agreement, including a lease agreement, perpetual usufruct right to land:

	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<b>As at 1.01.2022</b>	<b>14 577</b>	<b>46 971</b>	<b>43 258</b>	<b>217</b>	<b>-</b>	<b>105 023</b>
Depreciation	(2 391)	(2 237)	(2 959)	(24)	-	(7 611)
Assets under new leases	-	289	5 763	-	-	6 052
Other increases/decreases	2 788	-	(6 120)	(1)	-	(3 333)
Variances due to currency translation	11	293	133	4	-	441
<b>As at 30.06.2022</b>	<b>14 985</b>	<b>45 316</b>	<b>40 075</b>	<b>196</b>	<b>-</b>	<b>100 572</b>

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

From January 1, 2022 to June 30, 2022 the Group purchased tangible non-current assets and intangible assets in the amount of PLN 19,874 thousand (as compared to PLN 13,152 thousand in the comparable period),

From January 1, 2022 to June 30, 2022 the Group sold tangible non-current assets and intangible assets in a total book value of PLN 848 thousand (as compared to PLN 577 thousand in the comparable period).

## 22. Goodwill

### Goodwill on consolidation

	30.06.2022 Unaudited	31.12.2021 Audited
Goodwill at cost	446 240	444 551
Accumulated impairment	(325 074)	(262 962)
<b>Goodwill after all write-offs</b>	<b>121 166</b>	<b>181 589</b>

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Balance at the beginning of the period</b>	<b>181 589</b>	<b>187 269</b>
<b>Decreases</b>	<b>(62 112)</b>	<b>-</b>
Impairment charged to P&L during the year	(62 112)	-
<b>Exchange rate differences</b>	<b>1 689</b>	<b>(5 680)</b>
<b>Balance at the end of the period</b>	<b>121 166</b>	<b>181 589</b>

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

For impairment testing purposes as at June 30, 2022, goodwill has been allocated to the following cash generating units:

	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: Companies within AB Kauno Tiltai Gr.	CGU: PRK 7 Nieruchomości sp. z o.o.	Total
<b>As at 30.06.2022</b>					
Allocated goodwill before recognition of write-downs	58 160	592	57 634	4 780	<b>121 166</b>
	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: Companies within AB Kauno Tiltai Gr.	CGU: PRK 7 Nieruchomości sp. z o.o.	Total
<b>As at 31.12.2021</b>					
Allocated goodwill before recognition of write-downs	58 160	28 374	90 275	4 780	<b>181 589</b>

### Goodwill impairment test

Conditions were identified which indicate that goodwill impairment of the foregoing CGU could have taken place as at June 30, 2022:

- the first half of 2022 marks a significant increase of market interest rates;
- the risk-free rate in Poland and Lithuania increased as at June 30, 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 30, 2022, the goodwill impairment test was performed.

## Basic assumptions for goodwill impairment test:

	CGU: Trakcja S.A., Torprojekt sp. z o.o., BTW sp. z o.o.	CGU: PRK 7 Nieruchomości	CGU: PEUiM sp. z o.o., Dalba sp. z o.o., PDM S.A.	CGU: Companies within AB Kauno Tiltai Gr.
<b>As at 30.06.2022</b>				
WACC before taxation	15,7%	15,7%	15,7%	9,5%
WACC after tax	12,7%	12,7%	12,7%	8,0%
EBITDA margin	3,1% - 7,3%	0,4% - 5,3%	2,6% - 11,1%	3,5% - 5,9%
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: PRK 7 Nieruchomości	CGU: PEUiM sp. z o.o., Dalba sp. z o.o., PDM S.A.	CGU: Companies within AB Kauno Tiltai Gr.
<b>As at 31.12.2021</b>				
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%

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.

As at June 30, 2022, the impairment test revealed the loss of goodwill in the companies allocated to the CGU:

- Including subsidiaries: PEUiM, Dalba, PDM in the amount of PLN 5,029 thousand;
- Including subsidiaries within AB Kauno Tiltai group in the amount of 34,330 thousand.

The write-off was presented in the consolidated profit and loss statement for the first half of 2022 in the separate item.

The main factor that determined the amount of write-off as at June 30, 2022 is the rise in discount rate, i.e. weighted average cost of capital (WACC). That rise is influenced by the external factors, i.e. rise of the market interest rates, rise of the risk-free rate and rise in the total equity premium rate for both Poland and Lithuania. Moreover, the a change in the methodology for calculating the beta for the comparable group was made, which assumed the change from average to median, that positively influenced the value in use of CGUs, especially in the CGU including the companies within AB Kauno Tiltai group in the amount of PLN 40 million. Due to the size of the comparable group, median is preferable to use for calculating the beta indicator for the group.

### Goodwill impairment test sensitivity analysis

The sensitivity analysis carried out indicates that significant factors affecting the estimates of the value in use of cash generating units include profitability of construction contracts in progress and the discount rate used.

Below is presented an analysis of the sensitivity of the recoverable amount of cash-generating units to changes in individual indicators used in the impairment test, using the after-tax discount rate.

EBITDA = net profit + depreciation + write-off goodwill

## Sensitivity analysis for CGU comprising: Trakcja, Torprojekt, BTW

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	14 140	(14 140)
WACC	+/- 0,25 p.p.	(5 565)	5 786

The Group analysed the sensitivity of the change in EBITDA by +/- 2.5% and in after-tax WACC by +/-0.25 p.p., which led to the conclusion that a reasonable change in assumptions would not trigger the need to recognise an impairment loss.

## Sensitivity analysis for CGU comprising: PEUiM, Dalba, PDM

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	1 068	(1 068)
WACC	+/- 0,25 p.p.	(399)	416

For the above-mentioned CGU as at June 30, 2022 there was a write-off goodwill recognized, which led to the conclusion that a reasonable change in assumptions would change the amount of recognized impairment loss.

## Sensitivity analysis for CGU comprising PRK 7 Nieruchomości

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	598	(598)
WACC	+/- 0,25 p.p.	(461)	481

The Group analysed the sensitivity of the change in EBITDA by +/- 2.5% and in after-tax WACC by +/-0.25 p.p., which led to the conclusion that a change in assumptions would trigger the need to recognise an impairment loss if the recoverable amount of CGU would decrease by at least PLN 350 thousand.

## Sensitivity analysis for CGU comprising companies within 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%	13 792	(13 792)
WACC	+/- 0,25 p.p.	(10 322)	11 227

For the above-mentioned CGU as at June 30, 2022 there was a write-off goodwill recognized, which led to the conclusion that a reasonable change in assumptions would change the amount of recognized impairment loss.

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.

## 23. Investment properties

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

The most recent valuation of investment properties by an independent expert was carried out as at December 31, 2021. As at June 30, 2022 the Group stated that there were no indications that the values of investment properties changed significantly. The valuation method applied and the unobservable input data used for valuation, as well as the descriptive presentation of the fair value sensitivity to changes in the unobservable input data are described in detail in Note 3.4 to the Consolidated Annual Financial Statements of Trakcja Group for 2021. In the first half of 2022, there was no change in the technique of fair value measurement.

The Group categorises investment properties within Level 3 of the fair value hierarchy. In the first half-year of 2020, there were no transfers made between levels 1, 2 and 3.

As at June 30, 2022, investment properties amounted to PLN 34 854 thousand and decreased in comparison to their value as at December 31, 2021 by the amount of PLN 51 thousand, which was a result of a depreciation of the investment properties due to the right of perpetual usufruct of land.

## 24. Other financial assets

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Financial assets valued at amortised cost</b>	<b>19 683</b>	<b>45 129</b>
Guarantees deposits	17 132	43 310
Other bank deposits	2 492	1 792
Investments in other units	59	27
<b>Total</b>	<b>19 683</b>	<b>45 129</b>
including:		
- recognised as non-current assets	9 156	8 466
- recognised as current assets	10 527	36 663

In first half of 2022 there was no impairment of individual financial assets.

## 25. Inventory

	30.06.2022 Unaudited	31.12.2021 Audited
Materials	117 574	81 214
Semi-finished goods and products in progress	13 530	5 652
Finished goods	7 553	10 310
Merchandise	13 415	13 513
<b>Total, gross inventory</b>	<b>152 072</b>	<b>110 689</b>
<b>Inventory revaluation write-offs</b>	<b>(2 556)</b>	<b>(3 417)</b>
Materials	115 066	77 845
Semi-finished goods and products in progress	13 530	5 652
Finished goods	7 526	10 283
Merchandise	13 394	13 492
<b>Total, net inventory</b>	<b>149 516</b>	<b>107 272</b>

## 26. Trade and other receivables

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Gross trade receivables, before discounting</b>	<b>397 904</b>	<b>335 783</b>
<b>Total, gross trade receivables</b>	<b>397 904</b>	<b>335 783</b>
including:		
- receivables from related entities	97	95
Budgetary receivables	7 992	3 804
Receivables claimed in court	23 529	25 722
Other receivables from third parties	38 369	32 560
Amounts held	43 852	55 736
Advances paid	797	2 107
<b>Total, gross trade and other receivables</b>	<b>512 443</b>	<b>455 712</b>
Expected credit loss	(136 229)	(124 316)
<b>Total</b>	<b>376 214</b>	<b>331 396</b>

## 27. Cash and cash equivalents

	30.06.2022 Unaudited	31.12.2021 Audited
Cash in hand	67	70
Cash at bank	9 466	111 159
Other cash - deposits	5 678	15 717
<b>Total cash and cash equivalents</b>	<b>15 211</b>	<b>126 946</b>
<b>Cash and cash equivalents presented in cash flow statement</b>	<b>15 211</b>	<b>126 946</b>
- with limited access	2 215	8 344

Restricted cash in the amount of PLN 2,215 thousand constitute funds of the Parent Company in bank accounts:

- resulting from the collateral of the advance repayment guarantee in the amount of PLN 2,211 thousand;
- representing funds on the cession of loan accounts in the amount of PLN 4 thousand.

As at June 30, 2022 and as at December 31, 2021, the Trakcja Group did not have cash excluded from the cash flow statement.

## 28. Explanation to the consolidated cash flow statement

Change in receivables	30.06.2022 Unaudited
<b>Balance sheet change in trade and other receivables</b>	<b>(44 818)</b>
Foreign exchange differences	1 239
Other exclusions of cashless transactions	(246)
<b>Change in the cash flow statement</b>	<b>(43 825)</b>
	The 6 months period ended
Change in inventory	30.06.2022 Unaudited
<b>Balance sheet change in inventories</b>	<b>(42 244)</b>
Foreign exchange differences	677
<b>Change in the cash flow statement</b>	<b>(41 567)</b>
	The 6 months period ended
Change in liabilities	30.06.2022 Unaudited
<b>Balance sheet change in trade and other liabilities</b>	<b>43 419</b>
<b>Balance sheet change in liabilities due to employee benefits</b>	<b>1 429</b>
Foreign exchange differences	(1 778)
Other exclusions of cashless transactions	(3 699)
<b>Change in the cash flow statement</b>	<b>39 371</b>
	The 6 months period ended
Change in prepayments and accruals and advances	30.06.2022 Unaudited
<b>Balance sheet change of accruals</b>	<b>(2 763)</b>
Foreign exchange differences	38
<b>Change in the cash flow statement</b>	<b>(2 725)</b>
	The 6 months period ended
Change in provisions	30.06.2022 Unaudited
<b>Balance sheet change in provisions</b>	<b>32 879</b>
Foreign exchange differences	(211)
<b>Change in the cash flow statement</b>	<b>32 668</b>
	The 6 months period ended
Change in settlements under contracts with customers	30.06.2022 Unaudited
<b>Balance sheet change in settlements under contracts with customers</b>	<b>6 793</b>
Foreign exchange differences	(757)
<b>Change in the cash flow statement</b>	<b>6 036</b>

## 29. Settlements under contracts with customers

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Contracts with customers assets</b>	<b>164 874</b>	<b>197 434</b>
Surplus of revenues resulting from degree of advancement over invoiced revenues	142 260	184 297
Advances paid towards contracts being performed	22 614	13 137
<b>Contracts with customer liabilities</b>	<b>155 529</b>	<b>181 296</b>
Surplus of invoiced revenues over revenues resulting from degree of advancement	113 188	95 181
Advances received towards contracts being performed	42 341	86 115

### Contracts with customers assets

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Opening balance</b>	<b>197 434</b>	<b>203 273</b>
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	316 832	104 940
(-) Revenues recognized in the period included in balance of liabilities at the beginning of the period	(1 039)	(476)
(-) Invoicing	(349 056)	(109 815)
Exchange rates differences	703	(488)
<b>Closing balance</b>	<b>164 874</b>	<b>197 434</b>

### Contracts with customer liabilities

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Opening balance</b>	<b>181 296</b>	<b>200 551</b>
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	105 128	133 575
(-) Revenues recognized in the period included in balance of liabilities at the beginning of the period	(132 016)	(143 867)
(-) Invoicing	(27)	(8 660)
Exchange rates differences	1 148	(303)
<b>Closing balance</b>	<b>155 529</b>	<b>181 296</b>

The advances towards contracts being performed are disclosed as the short-term liabilities and will be settled during the performance of contracts in the course of the Group's normal operating cycle.

The table below shows the change in the balance of advance payments received:

### Advances paid towards contracts being performed

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Opening balance</b>	<b>13 137</b>	<b>28 591</b>
Increases (+): transfer of advances	21 969	30 438
Reductions (-): settlement of advances in the period	(12 631)	(45 657)
Exchange rates differences	139	(235)
<b>Closing balance</b>	<b>22 614</b>	<b>13 137</b>

The table below presents the change in the balance of advance payments transferred:

#### Advances received towards contracts being performed

	30.06.2022	31.12.2021
	Unaudited	Audited
<b>Opening balance</b>	<b>86 115</b>	<b>99 876</b>
Increases (+): receipt of advances	24 592	141 688
Reductions (-): settlement of advances in the period	(69 181)	(155 439)
Exchange rates differences	815	(10)
<b>Closing balance</b>	<b>42 341</b>	<b>86 115</b>

After the balance sheet date, i.e. as at September 6, 2022 the Group received an advance on construction contract "Reconstruction of railway line no. 7 – Warsaw East – Wawer" in the gross amount of PLN 51,950 thousand.

### 30. Assets held for sale

#### Sale of shares in Trakcja Ukraina sp. z o.o.

On December 30, 2021, a decision was taken by the Management Board of PDM S.A. to dispose of all shares in Trakcja Ukraina sp. z o.o. subsidiary with its registered office in Kiev, in which PDM S.A. holds 100% shares. Therefore, the Group reclassified fixed assets in the amount of PLN 1,119 thousand as assets held for sale (segment: other) and liabilities in the amount of PLN 13 thousand as liabilities held for sale. The Group is currently looking for a buyer. The Management Board expects the sale of the shares to take place within 12 months of the date of the decision. In 2021, Trakcja Ukraina sp. z o.o. did not perform operating activities and its net assets as at December 31, 2022 were negative.

	Year ended	
	30.06.2022	31.12.2021
	Unaudited	Audited
Allocation of shares in Trakcja Ukraina Sp. z o.o. for sale	1 119	1 260
<b>Total</b>	<b>1 119</b>	<b>1 260</b>

In the first half of 2022 the Parent Company was the process of reviewing strategic options, which assumed analyzing the assets held by the Parent Company as well as the activities of the Issuer's group with regard to the possibility of disinvestment in the potential sale of stocks or shares held in related entities. The above mentioned review of strategic options is conducted in parallel with the increase in share capital as its alternative in the event of the thin capitalization of the Parent Company (as reported by the Parent Company in current report No 21/2021).

As at the date of approval of these financial statements to publication, the process of recapitalization of Trakcja S.A. was completed (about which the Company informed in current reports no. 37/2022 and 56/2022), and in that case, this also ends the process of reviewing the strategic options.

### 31. Share capital

As at June 30, 2022, the share capital of the Company, according to the entry in the National Court Register, amounted to PLN 69 161 thousand, and was divided into:

- 51,399,548 series A bearer shares;
- 10,279,909 series B bearer shares;
- 12,335,891 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.

### Capital increase in the Parent Company after the balance sheet date

On 22 June 2022, the Company entered into an investment agreement with PKP PLK, pursuant to which PKP PLK has committed itself to subscribe for 250 million series E ordinary registered shares in the Company's increased share capital, at an issue price of PLN 0.80 per series E share, in exchange for a cash contribution of PLN 200,000,000.00. In accordance with the agreement, in the event that PKP PLK concludes the agreement on taking up Series E Shares, PKP PLK has undertaken not to undertake any actions aimed at changing the basic scope of the Company's business activity. For details, see current report No. 37/2022.

On 23 June 2022, the EGM of Trakcja S.A. adopted a resolution on increasing the Company's share capital through the issue of ordinary registered shares of Series E by way of private subscription with the complete exclusion of the pre-emptive rights of existing shareholders, dematerialisation of Series E shares and amendment of the Articles of Association. For details, please refer to current report No. 39/2022.

On 8 July 2022, the Parent Company entered into a share subscription agreement with PKP PLK, pursuant to which the Company made an offer to PKP PLK to subscribe for 250 million Series E ordinary registered shares at an issue price of PLN 0.80 per Series E share, and PKP PLK unconditionally accepted it, as a consequence of which PKP PLK subscribed for the aforementioned Series E shares in exchange for a cash contribution of PLN 200,000,000.00.

On 29 August 2022, the increase of the share capital and the new consolidated text of the Company's Articles of Association were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Business Division of the National Court Register, based on the resolutions of the Extraordinary General Meeting of the Company of 23 June 2022.

As at the date of approval of financial statements for publication, share capital according to the entry in the National Court Register, amounted to PLN 269 161 thousand and was divided into:

- 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;
- 200,000,000 series E 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.

### Bonds convertible into shares

On 6 February 2020, the conditional increase in the Parent Company's share capital was registered by the District Court for the Capital City of Warsaw, 12th Business Division of the National Court Register. Accordingly, the share capital of the Parent was conditionally increased by an amount not greater than PLN 13,023,288.00 through the issue of not more than 16,279,110 series D ordinary bearer shares with a nominal value of PLN 0.80 each. Series D shares may be subscribed for by holders of Series F and Series G convertible bonds issued by the Company on 8 May 2020.

## 32. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings of the Parent Company and its subsidiaries are presented in the table below:

Company	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja S.A.	COMSA S.A.U.	loan from related undertaking	2 674	EUR	01.02.2024	WIBOR 1M + margin	82
Trakcja S.A.	COMSA S.A.U.	loan from related undertaking	5 000	EUR	01.02.2024	WIBOR 1M + margin	160



Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	27 600	PLN	31.12.2023	WIBOR 1M + margin	25 552
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	52 746	PLN	31.12.2023	WIBOR 1M + margin	52 954
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	9 091	PLN	31.12.2023	WIBOR 1M + margin	8 417
Trakcja S.A.	mBank S.A., Bank Gospodarstwa Krajowego	working capital credit	43 892	PLN	31.12.2023	WIBOR 1M + margin	40 640
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	92 600	PLN	31.12.2023	WIBOR 1M + margin	85 740
Trakcja S.A.	mBank S.A.	working capital credit	15 000	PLN	31.12.2023	WIBOR 1M + margin	14 222
Trakcja S.A.	mBank S.A.	working capital credit	15 000	PLN	31.12.2023	WIBOR 1M + margin	14 222
Trakcja S.A.	mBank S.A.	overdraft facility	20 000	PLN	31.12.2023	WIBOR O/N + margin	10 823
Trakcja S.A.	Pekao S.A.	overdraft facility	20 000	PLN	31.12.2023	WIBOR 1M + margin	18 438
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	21 500	PLN	31.12.2023	WIBOR 1M + margin	19 907
Torprojekt sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	1 051	PLN	26.06.2023	interest-free	131
PRK 7 Nieruchomości sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	4 000	PLN	31.12.2023	WIBOR 1M + margin	3 689
BTW sp. z o.o.	mLeasing	loan from other entities	16 397	PLN	15.03.2025	WIBOR 1M + margin	8 595
BTW sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	2 000	PLN	31.12.2023	WIBOR 1M + margin	1 844
BTW sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	1 412	PLN	31.05.2023	interest-free	218
Dalba sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	1 000	PLN	31.12.2023	WIBOR 1M + margin	922

Dalba sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	814	PLN	31.05.2023	interest-free	181
PDM S.A.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	2 500	PLN	31.12.2023	WIBOR 1M + margin	2 305
PEUiM sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	overdraft facility	3 000	PLN	31.12.2023	WIBOR 1M + margin	2 010
PEUiM sp. z o.o.	Idea Getin Leasing	loan from other entities	244	PLN	16.06.2024	WIBOR 1M + margin	106
AB Kauno tiltai	Luminor Bank AB	working capital credit	4 000	EUR	31.05.2023	EURIBOR 3M + margin	4 382
AB Kauno tiltai	Luminor Bank AB	overdraft facility	12 000	EUR	31.12.2027	EURIBOR 1M + margin	44 736
<b>TOTAL</b>							<b>360 276</b>

Loans received interest rate is dependent on WIBOR/EURIBOR rates and bank margin. Bank margins are dependent on bank and agreed loan repayment.

#### Long-term interest-bearing loans and borrowings

	30.06.2022 Unaudited	31.12.2021 Audited
Bank loans	133 951	155 935
- working capital loans	109 735	140 524
- overdraft facility	24 216	15 411
Loans from other entities	5 592	7 434
- loans from third parties	5 592	7 434
Loans from related entities	72 305	78 015
Lease liabilities	56 877	60 370
<b>Total</b>	<b>268 725</b>	<b>301 754</b>

#### Short-term interest-bearing loans and borrowings

	30.06.2022 Unaudited	31.12.2021 Audited
Bank loans	129 928	52 415
- working capital loans	78 139	49 404
- overdraft facility	51 789	3 011
Loans from other entities	3 640	3 554
- loans from third parties	3 640	3 554
Loans from related entities	14 860	9 032
Lease liabilities	23 237	27 333
<b>Total</b>	<b>171 665</b>	<b>92 334</b>
<b>Total short and long term loan and credits</b>	<b>440 390</b>	<b>394 088</b>

Change in interest-bearing loans and borrowings in I half of 2022:

<b>As at 1.01.2022</b>	<b>306 385</b>
<i>Audited</i>	
Receipt of credits and loans	57 770
Repayment of credits and loans	(4 764)
Accrued interest	11 853
Interest paid	(11 380)
Foreign exchanges	412
<b>As at 30.06.2022</b>	<b>360 276</b>
<i>Unaudited</i>	
including	
- long-term	211 848
- short-term	148 428

**New financing agreements**

On 23 June 2022, the Parent Company, together with Financial Institutions and PKP PLK, signed preliminary financing terms associated with the planned recapitalisation of Trakcja by PKP PLK, the so-called "Term Sheet" (which the Parent Company announced in current report No. 38/2022). According to the Term Sheet, it is envisaged that the terms of the existing financing will be maintained with a perspective until the end of 2023, which include:

- a) credit/loan financing of the Parent Company and its subsidiaries for a total amount of PLN 306,981,000.00;
- b) guarantee lines for a total of PLN 706,568,000.00.

On 12 August 2022, the Company signed annexes to the long-term financing agreements, which implement the provisions of the Term Sheet (as announced by the Company in current report No. 54/2022).

Subsequent to the balance sheet date, the Parent Company repaid in full the capital portion of the loan of PLN 52,746,000.00 obtained from ARP.

During the first half of 2022, WIBOR interest rates, on the basis of which the value of interest liabilities paid to financial institutions is calculated, increased, which resulted in an increase in debt servicing costs in the first half of the year and will have an impact on cost increases in subsequent periods. The Parent Company identifies the risk of further increases in interest rates, a factor which, in the Parent Company's opinion, will affect results in the next six months.

**Lease liabilities**

Lease liabilities structure:

	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>Unaudited</b>	<b>Audited</b>
- long-term	56 877	60 370
- short-term	23 237	27 333
<b>Total</b>	<b>80 114</b>	<b>87 703</b>

Future minimum lease payments under these agreements and the present value of the minimum net lease payments:

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Nominal value of minimum leasing fees</b>		
Within 0-90 days	4 786	5 762
Within 90-360 days	21 472	24 643
Within 1 to 5 years	45 790	50 144
Over 5 years	51 840	46 111
<b>Total lease liabilities - total minimum leasing fees</b>	<b>123 888</b>	<b>126 660</b>
<b>Financial costs on account of lease</b>	<b>(43 774)</b>	<b>(38 957)</b>
<b>Present value of minimum leasing fees</b>		
Within 0-90 days	4 031	4 913
Within 90-360 days	19 206	22 420
Within 1 to 5 years	40 170	44 000
Over 5 years	16 707	16 370
<b>Total present value of minimum leasing fees</b>	<b>80 114</b>	<b>87 703</b>

Costs regarding leasing agreements:

	30.06.2022 Unaudited	30.06.2021 Unaudited
Depreciation	7 611	7 412
Interest	1 555	1 960
<b>Total leasing costs</b>	<b>9 166</b>	<b>9 372</b>

Cash-flows concerning leasing agreements in the period between January 1, 2022 and June 30, 2022 were negative and amounted to PLN -9,443 thousand.

### 33. Bonds

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

- allocating all 11,764,705 Series F secured registered bonds convertible into Series D shares of the Company with the nominal value of PLN 1.70 each, with the total nominal value of PLN 19,999,998.50 and the issue price equal to the nominal value ("Series F Bonds") to ARP, and
- allocating all 4,514,405 Series G unsecured registered bonds convertible into Series D shares of the Company with the nominal value of PLN 1.70 each, with the total nominal value of PLN 7,674,488.50 and the issue price equal to the nominal value ("Series G Bonds") to COMSA S.A.U ("COMSA").

The Series F Bonds and the Series G Bonds were issued at the issue price equal to their nominal value. The Series F Bonds are secured by the securities specified in the Series F Bonds Issue Terms, including, in particular, by a first ranking contractual mortgage on the Company's real estate located in Bieńkowice, established for the benefit of the mortgage administrator. Further, the Company made a declaration on submitting to enforcement proceedings pursuant to Article 777 § 1(5) of the Civil Proceedings Code for the benefit of ARP in respect of the entirety of the Company's assets and for the benefit of the security administrator from the mortgaged real estate. The Series G Bonds are unsecured and are subordinated on a contractual basis pursuant to the Intercreditor Agreement.

The Bonds bear interest at WIBOR 1M plus an agreed margin. The Bonds may be redeemed early in cases stipulated in provisions of law and in circumstances standard for this type of bonds, as specified in the Series F Bonds Issue Terms and the Series G Bonds Issue Terms.

Bond series	Date of issue	Maturity date*	Face value of one bond (PLN)	Face value of the series (kPLN)
F	08.05.2020	31.12.2023	1,7	20 000
G	08.05.2020	01.02.2024	1,7	7 674

#### Bonds structure

	30.06.2022 Unaudited	31.12.2021 Audited
Long-term	28 790	28 451
Short-term	376	196
<b>Total</b>	<b>29 166</b>	<b>28 647</b>

As at the balance sheet date of June 30, 2022 the Company recognized bonds in the balance sheet in amortized cost.

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

In connection with the signing of a number of annexes to long-term financing agreements on 17 June 2021, as referred to in current report No. 20/2021, Trakcja is obliged to comply with financial ratios (hereinafter "Covenants") associated with the current financial situation of the Parent Company and the Group. The signed annexes provided for the first verification of the Company's and the Group's compliance with the Covenants on 31 December 2021 and thereafter on a quarterly basis by the Company and on an annual basis by the Group.

Pursuant to the annexes to the aforementioned agreements concluded on 20 December 2021, of which the Parent Company informed in current report No. 53/2021, the date of the first verification of the fulfilment of the Covenants by the Parent Company and the Group was postponed until 30 June 2022. On 12 August 2022, the Parent Company signed further annexes to the aforementioned financing agreements (of which the Parent Company informed in current report no. 54/2022), implementing the provisions of the Term Sheet signed on 23 June 2022 (information contained in current report no. 38/2022), according to which the date of testing of the Covenants by the Parent Company and the Group was postponed from 30 June 2022 till 30 June 2023.

In addition, as a result of the contract budget update in the Torprojekt sp. z o.o. subsidiary in (of which Trakcja informed on 2 September 2022 in current report 58/2022), the impact of which on the financial result for the first half of 2022 amounted to PLN -24,116,000.00, negative equity of this company was reached as at the balance sheet date of 30 June 2022. When the negative equity of Torprojekt sp. z o.o. was established, an event of default occurred in accordance with the provisions of the financing agreements. Under the financing agreements, not every case of breach constitutes a material case of breach. Under the financing agreements, the negative equity of Torprojekt sp. z o.o. would only become a material event of default if at least three Financiers (including at least: (i) one Insurer and (ii) BGK or ARP) decide that the negative equity of Torprojekt sp. z o.o. is to become a material event of default under the financing agreements. As at the date of approval of this report for publication, the Company has not been informed by the Financiers of a determination that the negative equity of Torprojekt sp. z o.o. constitutes a material event of default. As the current negative equity of Torprojekt sp. z o.o. does not constitute a material case of breach, no Financier can independently decide on the basis of this instance of breach to withhold financing, and termination of financing on this basis would require a decision by the relevant group of Financiers.

Up to the date of approval of this report for publication, the Parent Company has not received any information from the Financiers regarding borrowings that they become due on demand. In addition, during the first half of 2022 and up to the date of approval of this report for publication, the Parent Company:

- concluded settlements with PKP PLK regarding the Parent Company's claims against PKP PLK arising from court proceedings and PKP PLK's claims against the Parent Company arising from the development of foundation piles;

- concluded annexes to long-term financing agreements;
- completed the recapitalisation process and received cash proceeds from the capital increase;
- repaid the loan received from ARP in the amount of PLN 52,746,000.00;

which was the implementation of the terms of the Term Sheet signed on 23 June 2022 between Trakcja, the Financiers and PKP PLK. Therefore, the Company assesses the risk of the financing agreements coming to maturity within 12 months from the balance sheet date of 30 June 2022 as low. The Company plans to apply to the Financiers in the near future for approval that the above indicated negative equity of Torprojekt sp. z o.o. no longer constitutes a case of default.

### 35. Provisions

<b>As at 1.01.2022</b>	
<i>Audited</i>	<b>50 944</b>
Recognized	52 171
Used	(18 542)
Reversed	(962)
Exchange rates differences	211
<b>As at 30.06.2022</b>	
<i>Unaudited</i>	<b>83 823</b>
including	
- long-term	14 061
- short-term	69 762

### 36. Trade and other liabilities

	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>Unaudited</b>	<b>Audited</b>
Trade liabilities, before discounting	293 988	254 933
<b>Total, net trade liabilities after discounting</b>	<b>293 988</b>	<b>254 933</b>
including:		
- liabilities from related entities	89	103
Amounts held	46 808	44 986
Budgetary liabilities	52 961	53 097
Payroll liabilities	13 271	12 385
Other liabilities towards third parties	6 322	4 379
Dividends and other distributions	149	300
<b>Total trade and other liabilities</b>	<b>413 499</b>	<b>370 080</b>

	<b>30.06.2022</b>	<b>31.12.2021</b>
	<b>Unaudited</b>	<b>Audited</b>
Trade liabilities before discounting	340 796	299 919
With maturity within 12 months	319 736	278 859
With maturity over 12 months	21 060	21 060
<b>Total, Trade liabilities after discounting</b>	<b>340 796</b>	<b>299 919</b>

### 37. Fair value of financial instruments

In the first half of 2022, the Group did not change the measurement method for financial instruments measured at fair value. Fair value of financial assets or liabilities is close to their carrying amounts..

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.

During the first half of 2022 there were no transfers between 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> level of fair value hierarchy.

### 38. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment properties and financial derivatives. In the first half of 2022, there was no change in the technique of fair value measurement of the above assets and liabilities. The measurement method applied and the unobservable inputs used for measurement are described in detail in note 3.23 in the Trakcja Group's consolidated annual financial statements for 2021.

Items recognized in fair value	Level 1		Level 2		Level 3	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Investment property	-	-	-	-	34 854	34 905
Office properties	-	-	-	-	30 282	30 333
Land properties	-	-	-	-	2 156	2 156
Deposits of natural aggregates	-	-	-	-	2 416	2 416

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

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

**Level 3** – prices other than prices in active markets.

In the first half-year of 2022, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

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

In the first half-year of 2022, there were no changes in any business or economic conditions which would have a significant effect on fair value of financial assets or liabilities.

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.

As at June 30, 2022 the Group identified the premises for goodwill impairment which influenced the write-down that was detailed in Note 22 herein.

In addition, the Group analysed the risk of impairment of assets and financial liabilities in connection with the outbreak of the SARS CoV-2 pandemic and assessed this risk as low.



## 40. Change in impairment losses and write-downs

	Goodwill from consolidation	Inventory	Receivables	Total
<b>As at 1.01.2022</b>				
<b>Audited</b>	<b>262 962</b>	<b>3 417</b>	<b>124 316</b>	<b>390 695</b>
Recognized	62 112	486	20 985	83 583
Used	-	(1 295)	(928)	(2 223)
Reversed	-	(91)	(8 177)	(8 268)
Variances due to currency translation	-	38	33	71
<b>As at 30.06.2022</b>				
<b>Unaudited</b>	<b>325 074</b>	<b>2 555</b>	<b>136 229</b>	<b>463 858</b>

## 41. Joint ventures

### Jointly controlled operations – contracts performed in consortia

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

In the first half of 2022, the revenues attributable to the consortium members in relation to the contracts performed under the aforementioned consortia, which were not recognised in profit or loss of the Group, were PLN 117,379 thousand and the costs related thereto were PLN 116,785 thousand. In the comparable period, they were respectively PLN 99,051 thousand and PLN 97,089 thousand.

The Group's balance sheet as at June 30, 2022 does not include the trade receivables attributable to the consortium members in the amount of PLN 33,218 thousand (PLN 25,885 thousand as at December 31, 2021) or the trade liabilities attributable to the consortium members in the amount of PLN 33,873 thousand (PLN 26,321 thousand as at December 31, 2021).

## 42. Contingent and other off-balance sheet items

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Contingent receivables</b>		
<b>From related entities due to:</b>	<b>81 068</b>	<b>81 397</b>
Received guarantees and sureties	79 472	79 643
Bills of exchange received as collateral	1 596	1 754
<b>Total contingent receivables</b>	<b>81 068</b>	<b>81 397</b>
<b>From related entities due to:</b>		
<b>From other entities due to:</b>	<b>11 340 364</b>	<b>11 198 208</b>
Provided guarantees and sureties	850 777	937 576
Promissory notes	756 440	756 440
Mortgages	5 613 446	5 612 401
Assignment of receivables	1 361 577	976 023
Assignment of rights under insurance policy	2 694	165 998
Security deposits	23 624	17 964
Other liabilities	2 731 806	2 731 806
<b>Total contingent liabilities</b>	<b>11 340 364</b>	<b>11 198 208</b>

\*) As at June 30, 2022 the Parent Company was in the process of signing new assignments under insurance policies, and for this reason the value of this item as at the balance sheet date amounts to PLN 2,694 thousand. New agreements were signed on September 7, 2022 for a total amount of PLN 155,371 thousand.

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

	30.06.2022 Unaudited	31.12.2021 Audited
Contingent liabilities due to contracts signed with employees	7 797	6 979

### 43. Significant events occurring in the I half of 2022 and after the reporting period, which were not reflected in the financial statements for the first half of 2022

All of the significant events occurring in the first half of 2022 and after the reporting period were disclosed in financial statements of the Group for the 6-months period ended June 30, 2022.

Significant events during first half of 2022:

Significant construction contracts	CR
05.01.2022 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 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 and LITGRID AB. The total net value of the concluded Contract amounts to EUR 19,940 thousand (PLN 89,489 thousand).	9/2022
07.03.2022 The Company together with the following consortia: AB Kauno tiltai with its registered and Masfalt sp. z o.o. 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 Company 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
28.06.2022 As a result of mediations conducted with the contracting entity, PKP PLK with the participation of the mediator of the Court of Conciliation at the State Treasury Solicitor’s Office of the Republic of Poland, the Company concluded settlements with PKP PLK. Under the settlements, all mutual claims between the Company and PKP PLK were settled. As a result of the mutual settlements, the Company will receive payment from PKP PLK in the gross amount of PLN 41.8 million. According to the Company's estimates, the conclusion of the settlements will have a negative impact on the Company's and the Group's financial results in the amount of PLN 0.6 million. The estimated cash inflow to the Company from the settlements, after taking into account the necessary payments, will be PLN 34.1 million.	45/2022

Refinancing process	CR
23.06.2022 The Company, together with the Financing Parties, i.e. mBank S.A., Credit Agricole S.A., BGK, Pekao S.A., ARP, Uniqua, KUKE, Credendo, PZU, Ergo Hestia, Generali, Subsidiaries i.e: BTW, PRK 7 Nieruchomości, PDM, Dalba, Torprojekt, PEUiM, TOB Ukraina and PKP PLK signed the initial terms and conditions of Trakcja S.A. financing related to the planned capital injection of Issuer by PKP PLK.	38/2022
Corporate events	CR
14.01.2022 The Company 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 EGM of the Company on 10 September 2021.	3/2022
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
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
04.04.2022 Further to CR 6/2022 and 7/2022, the Management Board of Trakcja S.A. transmitted 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.	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
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).	23/2022
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
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.	25/2022
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.	26/2022

24.05.2022	The Management Board of Trakcja S.A. informed of its today's regarding the recommendation for the OMS that the Company's net profit for 2021 in the amount of PLN 3,854,534.70 be fully earmarked for reserve capital.	28/2022
27.05.2022	The Management Board of the Company convened the EGM of Trakcja S.A. for 23 June 2022.	29/2022
02.06.2022	The Supervisory Board has delivered a favourable opinion as to the Management Board's recommendation that the Company's net profit for 2021 in the amount of PLN 3,854,534.70 be fully earmarked for reserve capital.	30/2022
02.06.2022	The Management Board of Trakcja announced the contents of the resolution adopted by the EGM, along with the results of voting, which was held on 2 June 2022 following the recess in the proceedings ordained on 6 May 2022.	31/2022
02.06.2022	The Management Board of Trakcja provided a listing of shareholders holding at least 5% of the total number of votes at the EGM of the Company, held on 2 June 2022, upon reconvening of the proceedings.	32/2022
02.06.2022	The Management Board of Trakcja convened the OGM of Trakcja for June 30, 2022.	33/2022
03.06.2022	The Management Board of Trakcja S.A. informed that it has received a statement today from Mr. Arkadiusz Arciszewski concerning his resignation from the post of Vice-President of the Management Board and from membership of the Management Board, effective as of June 3, 2022.	34/2022
07.06.2022	Further to CR no. 29/2022, the Management Board of Trakcja S.A. transmitted the opinion of the Company's Management Board, which justifies the depriving of Trakcja S.A. shareholders of pre-emptive rights for series E and manner of determining the issue price of Series E shares, which is a part of the documentation for the upcoming EGM convened for June 23, 2022.	36/2022
22.06.2022	The Company concluded an investment agreement with PKP PLK pursuant to which PKP PLK undertook to take over 250 million series E ordinary registered shares in the Company's increased share capital, at the issue price of PLN 0.80 per series E share, in return for a cash contribution in the amount of PLN 200,000,000.00.	37/2022
23.06.2022	The Management Board of Trakcja announced the contents of the resolution adopted by the EGM, along with the results of voting, which was held on 23 June 2022.	39/2022
23.06.2022	The Management Board of Trakcja provided a listing of shareholders holding at least 5% of the total number of votes at the EGM, held on 23 June 2022.	40/2022
27.06.2022	The Management Board of Trakcja hereby informs that it has received the nominations of the candidacies of Ms. Klaudia Budzisz and Mr. Krzysztof Tenerowicz for membership of the Company's Supervisory Board. The nominations have been received from ARP, to be reviewed as a part of the agenda of the OGM, to be held on 30 January 2022.	41/2022
28.06.2022	The Company received from COMSA, one of its shareholders, the nominations of the candidacies of Messrs. Julio Alvarez Lopez, Miquel Llevat Vallespinosa, Jorge Miarnau Montserrat, and Dominik Radziwiłł for membership of the Company's Supervisory Board. The nominations were received in connection with the agenda of the OGM, convened for 30 January 2022.	43/2022
28.06.2022	The Management Board of Trakcja hereby informs that its shareholder, OFE PZU „Złota Jesień” represented by PZU, has nominated Ms. Magdalena Komaracka as a candidate in the election of a member of the Supervisory Board at the Company's Ordinary Meeting to be held on 30 June 2022.	44/2022
30.06.2022	The Management Board of Trakcja S.A. announced the contents of the resolutions adopted by the OGM, which was held on 30 June 2022.	46/2022
30.06.2022	The Management Board of Trakcja S.A. informed that on 30 June 2022, the OGM adopted resolutions, under which the following members of the Supervisory Board have been appointed for a new term of office: 1. Klaudia Budzisz, 2. Krzysztof Tenerowicz, 3. Miquel Llevat Vallespinosa, 4. Julio Alvarez Lopez, 5. Jorge Miarnau Montserrat, 6. Dominik Radziwiłł, 7. Magdalena Komaracka.	47/2022
30.06.2022	The Management Board of the Company provided listing of shareholders holding at least 5% of the total number of votes at the OGM, held on 30 June 2022.	48/2022

CR

**Notifications provided by the Company's Shareholders**

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
27.04.2022 Further to CR 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.	22/2022
07.06.2022 Further to CR nos. 46/2021, 60/2021, 8/2022 and 22/2022, 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.	35/2022
28.06.2022 Further to CR nos. 13/2021, 46/2021 and 22/2022, the Management Board of Trakcja informs that it has received notice submitted by the Company's shareholders - ARP concerning the conclusion of the conditional agreement on the sale of the Company's shares and bonds. ARP and PKP PLK intend to jointly announce a call for the subscription of all of the Company's shares.	42/2022

**Events that had an impact on the Company and Group's net profit****CR**

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
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
16.03.2022 The Management Board of Trakcja 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
20.04.2022 The Management Board of Trakcja informed that as a result of a modification of the accepted estimates in the process of preparation of the financial statements, 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. 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.	20/2022



19.05.2022 The Management Board of Trakcja informed about actions taken as at March 31, 2022:

- creation of an impairment write-off for investment in subsidiary PEUiM in the amount of PLN 12,003 thousand;
- creation of an impairment write-off for goodwill in the cash generating unit consisting the subsidiaries PEUiM, Dalba, PDM in the amount of PLN 22,753 thousand;
- total amount of the conducted updating of contract budgets amounting to PLN 62,011 thousand and having a negative impact on EBITDA and gross profit of the Company in the I quarter of 2022 in the amount of PLN 20,732 thousand.

27/2022

Due to the ending of I quarter reporting processes, the Company made available for public the preliminary estimated financial performance of the Company and Group for the first quarter of 2022.

**Reporting schedule****CR**

11.01.2022 The Management Board of Trakcja S.A. announced the dates of publication of periodic reports in 2022.	2/2022
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
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 April 29, 2022, has been rescheduled for April 27, 2022.	21/2022

After the balance sheet date up to the date of approval of the financial statements for publication, there were no events that were not, and shall be in the accounting records for the financial year.

**Significant construction contracts****CR**

12.09.2022 Issuer's subsidiary, AB Kauno Tiltai has signed the following contract with LITGRID AB with its seat in Vilnius, Lithuania, and AB „Ignitis gamyba” with its seat in Elektreny, Lithuania: “Expansion and construction work concerning the Kruonis 330/110/10 kV high-voltage switching station”. The net value of the concluded contract amounts to EUR 51,899 thousand (PLN 244,511 thousand).	64/2022
02.08.2022 Further to CR No. 45.2022 of 28 June 2022 – informing on the conclusion of settlements with PKP PLK, the Management Board of Trakcja S.A. informed that the Company and PKP PLK have received the court order approving the last settlement and which discontinues court litigation covered by the settlements, which was a condition of receiving payment by the Company from PKP PLK pursuant to the concluded settlements.	52/2022

**Refinancing process****CR**

12.08.2022 The Company has signed annexes to long-term financing agreements, which are within the framework of implementing the provisions of the Term Sheet, as informed by the Company in CR No. 38/2022.	54/2022
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**Corporate events****CR**

08.07.2022 Further to CR No. 37/2022, the Company has informed about concluding an agreement on the taking over of shares with PKP PLK, under which the Company has submitted an offer to PKP PLK for taking over 250 million ordinary bearer shares, series E, at the issue price of PLN 0.80 per one series E share, and the Investor accepted the offer and has taken over the foregoing series E shares in exchange for a cash contribution of PLN 200,000,000.00.	49/2022
29.08.2022 the District Court for the capital city of Warsaw in Warsaw, XII Business Division of the National Court Register registered the share capital increase and the new consolidated text of the Company's Articles of Association, based on the resolutions of the Extraordinary General Meeting of the Company of 23 June 2022. Pursuant to the aforementioned resolution, the share capital of the Company was increased from the amount of PLN 69,160,780.80 by the amount of PLN 200,000,000.00, i.e. to the amount of PLN 269,160. 780.80 through the issue of 250,000,000 series E ordinary registered shares, with a nominal value of PLN 0.80 each.	56/2022

21.07.2022 The Company received a statement today from Mr. Paweł Nogalski concerning his resignation from the post of Vice-President of the Management Board and from membership of the Management Board, effective as of 21 July 2022.	50/2022
21.07.2022 The Company's Supervisory Board has appointed Mr. Bartłomiej Cygan to the post of Management Board member and Technical Director effective as of 22 July 2022.	51/2022
13.09.2022 the Company has received the following: <ul style="list-style-type: none"> <li>• Statement of Mr. Alvarez Lopez concerning his resignation as member of the Supervisory Board;</li> <li>• Statement of Mr. Jorge Miarnau Montserrat concerning his resignation as member of the Supervisory Board;</li> <li>• Statement of Mr. Miquel Llevat Vallespinosa concerning his resignation as member of the Supervisory Board.</li> </ul> The foregoing resignations shall become effective at the earlier of the following: (i) day on which the next Extraordinary General Meeting of the Company, convened by the Company's Management Board, changes the composition of the Supervisory Board; or (ii) on 24 October 2022. According to the contents of the resignations, they have been tendered as COMSA has lost its status of the Company's key shareholder as a result of the registration of the increase of the Company's share capital on 29 August 2022 and under Article 17 (4) of the Company's Memorandum.	65/2022
15.09.2022 the Company's Supervisory Board has provided in favour of the following: <ul style="list-style-type: none"> <li>• Mr. Alvarez Lopez;</li> <li>• Mr. Jorge Miarnau Montserrat;</li> <li>• Mr. Miquel Llevat Vallespinosa.</li> </ul> its consent for the pursuit of competitive activities vis a vis the Company until they cease to be members of the Supervisory Board, as they are committed to the activities of COMSA. As the Extraordinary General Meeting has been convened for 12 October 2022, the resignations tendered by the foregoing Supervisory Board members on 13 September 2022 shall become effective as of 12 October 2022, i.e. as at the date of holding the Extraordinary General Meeting and the election of new members of the Supervisory Board.	67/2022
26.09.2022 the Company was notified by Mr. Jacek Gdański of his resignation from the position of the Vice-President of the Management Board and from the membership in the Company's Management Board, effective as at the end of 26 September 2022.	68/2022
<b>Notifications provided by the Company's Shareholders</b>	
W dniu 1.09.2022 r. Zarząd Spółki otrzymał od Akcjonariuszy Spółki: PKP PLK oraz ARP zawiadomienie o przekroczeniu progu 75% ogólnej liczby głosów w Spółce przez ww. Akcjonariuszy, których łączy porozumienie, o którym mowa w art. 87 ust. 1 pkt 5) Ustawy z dnia 29.07.2005 r. o ofercie publicznej i warunkach wprowadzania instrumentów finansowych do zorganizowanego systemu obrotu oraz o spółkach publicznych.	57/2022
W dniu 2.09.2022 r. Zarząd Spółki otrzymał od PKP PLK oraz ARP zawiadomienie stanowiące uzupełnienie zawiadomienia z dnia 1.09.2022 r. o którym Spółka informowała w raporcie bieżącym nr 57/2022.	59/2022
W dniu 2.09.2022 r. Zarząd Spółki otrzymał od COMSA zawiadomienie o zmniejszeniu się udziału w ogólnej liczbie głosów w Spółce przez ww. Akcjonariusza do 8,44%.	60/2022
<b>Events that had an impact on the Company and Group's net profit and reporting schedule</b>	
05.08.2022 The Management Board of the Company has taken a decision concerning the modification of accepted estimates as at 30 June 2022 of valorisation values in the budgets of specific contracts being performed for PKP PLK. The estimated impact of the foregoing decision for the unit and consolidated gross result on sales for the first 6 months is negative and amounts to PLN 37.6 million.	53/2022
18.08.2022 The Management Board of the Company completed the cyclical review process of long-term contracts for the purposes of preparing the Company's unit financial statements for the first half of the year ending on 30 June 2022, which had a negative impact of PLN 104,069 thousand on the Company's profit.	55/2022
02.09.2022 Torprojekt - subsidiary of the Issuer informed on the update of the budget of the contract, which in H1 2022, had a negative impact on the gross profit of Torprojekt and the Group and amounted to PLN 24,116 thousand. The main factors that most negatively affected the amount of the update were the adjustment of the earlier underestimation of subcontractor costs, wages and indirect costs.	58/2022

05.09.2022 The Management Board of Trakcja announced that the publication date of the interim report for the first half of 2022, originally scheduled for September 14, 2022, is postponed to September 30, 2022.	61/2022
05.09.2022 Based on the impairment tests performed as of the balance sheet date of June 30, 2022, the Management Board of Trakcja decided to write down the following assets: - Investments in subsidiary BTW sp. z o.o. - a write-down in the amount of PLN 10,835 thousand; - Investments in subsidiary PEUiM sp. z o.o. - a write-down in the amount of PLN 3,248 thousand; - Investment in subsidiary AB Kauno Tiltai - a write-down in the amount of PLN 66,709 thousand. - CGU consisting of the following companies: PEUiM sp. z o.o., Dalba sp. z o.o., PDM S.A. - a write down in the amount of PLN 5,029 thousand; - CGU consisting of companies belonging to the AB Kauno Tiltai Group - a write-down in the amount of PLN 34,330 thousand.	62/2022
08.09.2022 The Company has decided to create impairment write-offs of assets: 1. "Capital expenditures in subordinated units" at the Torprojekt subsidiary in the amount of PLN 1,400 thousand. 2. "Financial assets", i.e. loans granted to the Torprojekt in the amount of PLN 7,046 thousand, of which the impact on the unit financial performance of Trakcja S.A. for the first 6 months of 2022 amounted to PLN 5,639 thousand. The foregoing write-offs will not have an effect on the consolidated financial performance for the first 6 months of 2022 and on the value of fixed assets presented in the Trakcja Group's consolidated balance sheet as at 30 June 2022.	63/2022
15.09.2022 The Management Board of Trakcja, following the motion of PKP PLK submitted on 14 September 2022 – a shareholder representing at least one twentieth of the Company's share capital – demanding the convening of an EGM of the Company, convened the EGM of Trakcja S.A. for 12 October 2022.	66/2022

#### 44. Cyclicity and seasonality of operations

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.

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

In the first half of 2022 the Group has not changed the classification of financial assets as a result of a change in their purpose or use.

#### 46. Dividends paid or declared

In the first quarter of 2022 Trakcja S.A. did not declare or paid a dividend.

On June 30, 2022 the Ordinary General Meeting of Parent Company adopted a resolution to allocate the profit of the Parent Company for 2021 in the amount of PLN 3,855 thousand to the reserve capital of the Parent Company.

#### 47. Significant court cases and disputes

The Parent Company indicate significant proceedings pending before the court or other authority concerning the liabilities and receivables of Trakcja S.A. and its subsidiaries.

##### **The matter concerning the notification of a claim due from Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. in liquidation bankruptcy in Warsaw**

The 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. As the District Court for Warsaw - Praga Północ in Warsaw has declared Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. the bankrupt (hereinafter: "PNI") with the possibility of entering into an arrangement, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław submitted to the bankruptcy court a notification of the Company's receivables dated 20 November 2012. The



notification concerned receivables in the total amount of PLN 55,664,000.00, including principal, interest due by the date of the bankruptcy declaration and accrued contractual penalties.

To the Company's knowledge, a list of claims against PNI was drawn up. Trakcja S.A.'s receivables were recognised in the amount of PLN 10,569,000.00, including PLN 10,275,000.00 on account of unpaid invoices and PLN 295,000.00 on account of interest for delayed payment. Recognition of receivables due to contractual penalties and other claims was refused in the total amount of PLN 44,957,000.00. The Company disagrees with the refusal to recognise the above part of the claim, and accordingly, an objection was filed with the judge-commissioner regarding the refusal to recognise the claim to the above extent. The Court rejected the objection, as a result of which the Company filed an interlocutory appeal with the Court, which was dismissed. On 8 June 2015, the Company received notice from the trustee to change the bankruptcy matter from arrangement to liquidation. The case is pending and its completion date is currently difficult to predict.

### The case against Leonhard Weiss International GmbH ("LWI")

Due to LWI's failure to respond to the statement with the debit note and demand for payment dated 31 October 2017, the Company decided to take the case to court.

The Company has filed a rejoinder in response to the statement of claim against LWI for payment, in relation to the agreement for the sale of 50% of the shares in BTW sp. z o.o. At present, it is not possible to give a precise indication of the expected conclusion of the case.

The value of the claim asserted by the Company amounts to PLN 20,551,000.00 with statutory interest calculated as follows:

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

The Company also requested that the respondent be ordered to reimburse the Company for the costs of these proceedings, including the costs of legal representation, according to the prescribed norms. At the date of approval of this report for publication, it is not possible to indicate the estimated amount of possible interest and legal costs to be awarded.

### The case against ALSTAL Grupa Budowlana sp. z o.o.

On 22 May 2019, the Company filed a lawsuit against ALSTAL Grupa Budowlana sp. z o.o., with its registered office in Jacewo, for payment of PLN 557,000 plus interest on account of payment of remuneration for construction works performed as a subcontractor within the scope of the task entitled "Construction of Network Management in Wrocław" carried out by the respondent, upon the instructions of Tauron Dystrybucja S.A. On 17 November 2020, a hearing was held before the District Court in Bydgoszcz. The case is pending and its completion date is currently difficult to predict.

### Proceedings against the State Treasury - GDDKiA

On 23 December 2020, the Company, Masfalt sp. z o.o. and Akcine bendrove "Kauno Tiltai" filed a summons for arbitration against the State Treasury - General Director of National Roads and Motorways, claiming the total amount of PLN 20,453 thousand. PLN 20,453,000.00 as remuneration for the performance of the basic scope of the contract of 23 October 2017 for the design and performance of the task entitled "**Extension of the national road No. 22 on the section Czarlin – Knybawa**" and as remuneration for materials at the construction site, contractual penalty for withdrawal from the contract by the Contractor due to the fault of the Contracting Entity, remuneration for additional works and reimbursement of general construction costs in connection with the extension of the duration of the investment. In the statement of claim and the subsequent pleading, the Company modified the amount of the claim, claiming a total of PLN 19,893,000.00. In the course of the proceedings, the Contracting Entity filed a counterclaim for the amount of PLN 4,182,000.00. On 7 March 2022, in the course of arbitration proceedings, the Parties concluded a settlement agreement, by virtue of which all existing and potential mutual claims between the Contractor and the

Contracting Entity under the aforementioned contract were settled and the dispute as to the liability for improper performance of the contract was waived, which resulted in the lack of risk of exclusion of the Company from tenders pursuant to Article 109(1)(5) and (7) of the PPL. As a result of concluding the settlement, the Contracting Entity paid the Company the gross amount of PLN 4,989,000.00. The conclusion of the settlement had a positive impact on the Company's and the Group's financial result for Q1 2022 in the amount of PLN 926,000.00.

On 30 December 2020, the Company and Przedsiębiorstwo Usług Technicznych Interkor sp. z o.o. filed a lawsuit against the State Treasury - General Director of National Roads and Motorways, claiming a total amount of PLN 23,861,000.00 as reimbursement of general construction costs in connection with the extension of the performance time of the agreement of 12 October 2015 for the design and construction of the task entitled 'Design and construction of the S-5 expressway on the section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeship with division into 4 parts. Part 4 - Design and construction of the **S-5 expressway along the section from Szubin junction (with junction) to Jaroszewo junction** (with junction) with a length of approximately 19.3 km", as a lump sum for the extension of the time for completion, reimbursement of the costs of performing additional land improvements and capitalised interest. The case is at an early stage of the proceedings and its completion date is difficult to predict.

On 31 December 2020, the Company and Przedsiębiorstwo Usług Technicznych Interkor sp. z o.o. filed a lawsuit against the State Treasury - General Director of National Roads and Motorways, claiming an increase in remuneration for the performance of the agreement of 12 October 2015 for the design and construction of the task entitled 'Design and construction of the S-5 expressway on the section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeships with division into 4 parts. Part 4 - Design and construction of **S-5 expressway along the section from Szubin junction (with junction) to Jaroszewo junction** (with junction) with the length of approx. 19.3 km" by the amount of PLN 33,634 thousand and awarding the amount of PLN 33,634,000.00 with statutory interest for delay. The case is at an early stage of proceedings and its completion date is difficult to predict.

Notwithstanding the above, the Company informs that on 24 February 2022, the Company received a letter from GDDKIA Bydgoszcz informing that the consortium was charged with a contractual penalty of PLN 42,293,000.00 for exceeding the Time for Completion of Works. The Company sent back the note, indicating that there was no factual or legal basis for the contractual penalty. The Company has not recognised the impact of the above note in its financial results to date.

#### **Proceedings against the Wielkopolskie Voivodeship - Wielkopolskie Zarząd Dróg Wojewódzkich in Poznań ("WZDW in Poznań")**

On 15 July 2021, the Company filed a lawsuit against WZDW in Poznań for payment of PLN 9,973,000.00 as compensation of the loss incurred due to the actions of WZDW in Poznań. The dispute relates to the contract of 17 October 2018 for the implementation of the task entitled "**Extension of voivodeship road no. 263** on the section from the intersection with DP 3403P in the town of Drzewce to the intersection with DW473 in the design and build system." The case is currently under mediation between the parties.

On 15 July 2021, the Company and its subsidiary AB Kauno Tiltai filed a lawsuit against WZDW in Poznań for payment of PLN 11,702,000.00 for compensation of the loss incurred due to the actions of WZDW in Poznań. The dispute relates to the contract of 24 August 2018 for the implementation of the task entitled "**Extension of voivodeship road No. 190** along the section from the intersection with voivodeship road No. 188 in Krajenka to the intersection with national road No. 10 - stage I in the design and build system". The case is at an early stage of proceedings and its completion date is difficult to predict.

#### **Proceedings against PKP PLK**

In connection with the conclusion of settlements with PKP PLK on 28 June 2022, the previously reported court cases were concluded amicably:

- case in connection with the performance of the agreement of 16 December 2010 for the Design and performance of construction works on the railway line Kraków - Medyka - State border on the section **Dębica - Sędziszów Małopolski** at km 111.500 - 133.600 within the framework of OPI&E Project 7.1-30

"Modernisation of railway line E30/C-e 30, section Kraków - Rzeszów, stage III". Tender 2.2, the value of the subject of the dispute amounts to PLN 6,675,000.00;

- case related to the performance of agreement of 29 November 2010 for the Design and performance of construction works on the railway line Krakow - Medyka - State border along the section **Sędziszów Małopolski Rzeszów Zachodni** within the framework of the Project "Modernization of railway line E3-/C-E 30, section Krakow - Rzeszów, stage III" Tender 2.3, the value of the subject of the dispute amounts to PLN 20,935,000.00;
- case in connection with the performance of the following agreements: of 16 December 2010 for the Design and performance of construction works on the railway line Krakow - Medyka - State border along the section **Dębica - Sędziszów Małopolski** at km 11.500 - 133.600 of the OPI&E Project 7.1-30 "Modernisation of the railway line E 30/C-E 30, section Krakow - Rzeszow, stage III". Tender 2.2 and of 29 November 2010 for the Design and performance of construction works on the railway line Krakow - Medyka - State border on the section Sędziszów Małopolski - Rzeszów Zachodni within the framework of the Project "Modernisation of railway line E3-/C-E 30, section Krakow - Rzeszów, stage III" Tender 2.3, the value of the subject of the dispute amounts to PLN 12,221,000;
- case in connection with the performance of the agreement of 5 October 2015 for the Continuation of modernisation works on the E59 railway line (track and subgrade and perimeter works) within the framework of OPI&E Project 7.1-5.1 "Modernisation of the E59 railway line on the section Wrocław - Poznań, stage III, Czempin - Poznań section", the value of the subject of dispute amounts to PLN 14 602 thousand;
- case in connection with the performance of the agreement of 14 March 2017 for the Design and performance of construction works along the section **Poznań Wschód - Mogilno** from km 0.265 km to 73.00 km, the value of the subject of the dispute amounts to PLN 632,000.00;
- case in connection with the performance of the agreement of 2 November 2010 for the Design and performance of construction works on the railway line Krakow - Medyka - state border on the section **Podłęże - Bochnia** from km 16.000 to 39.000 of the Project "Modernisation of the railway line E30/C-E30, section Krakow - Rzeszów, stage III". Tender 1.1, the value of the subject of the dispute amounts to PLN 84,121,000.00.

On 31 October 2017, the Company, together with Przedsiębiorstwo Budowlanym "FILAR" sp. z o.o. with its registered office in Wrocław and Berger Bau Polska sp. z o.o. with its registered office in Wrocław, filed a lawsuit for payment against PKP PLK claiming reimbursement of additional costs related to the extension of time for the performance of the agreement for Basic Line Construction Works along the section Wrocław - Grabiszyn - Skokowa and Żmigród - border of Dolnośląskie Voivodeship as part of the OPI&E 7.1-4 project "Modernisation of the E 59 railway line on the section Wrocław - Poznań, Stage II - section Wrocław - border of the Dolnośląskie Voivodeship". On 29 March 2018, the claim was extended in the course of the case by the claims of another subcontractor - INFRAKOL sp. z o.o. sp. k. The portion of the claim attributable to Trakcja amounts to PLN 11,640,000.00 (including PLN 1,416 thousand for interest). On 25 March 2022, the court issued a judgment dismissing the claim. An appeal has been lodged in the case. The case is currently in inter-instance proceedings.

On 3 April 2019, the Company filed a lawsuit for payment against PKP PLK claiming the amount of PLN 1,320,000.00 with statutory interest for delay, for:

- a) reimbursement of additional costs resulting from the extension of the performance of the contract for the Construction of engineering facilities at km 160.857; km 155.170 and km 145.650 of the railway line No. 271 Wrocław - Poznań, as part of OPI&E Project 7.1-5.1 "Modernisation of railway line E 59 on section Wrocław - Poznań, Stage III - Czempin - Poznań section". - within the scope of Partial Contract A - railway viaduct at km 145.650 in the town of Mosina, due to circumstances that are within the responsibility of PKP PLK;
- b) reimbursement of the costs of performing additional works by the Company, not provided for in the Contractor's offer for the contract in question.

The case is pending and its completion date is currently difficult to predict.

On 2 April 2019, the Company filed a lawsuit for payment against PKP PLK, claiming the amount of PLN 489,000, together with statutory interest for delay, for reimbursement of additional costs resulting from the extension of the performance of the contract for the Construction of engineering facilities at km 160.857; km 155.170 and km 145.650 of the railway line No. 271 Wrocław - Poznań, as part of OPI&E project 7.1-5.1 "Modernisation of railway line E 59 on the section Wrocław - Poznań, Stage III - section **Czempin - Poznań**" - **within the framework of Partial Contract C** -

railway viaduct at km 160.857 in Poznań, due to circumstances within the responsibility of PKP PLK. The case is pending and its completion date is currently difficult to predict.

On 13 June 2019, the Company filed a lawsuit against PKP PLK together with a motion to secure the Company's claims, the object of which is to determine the content of the Company's obligation relations under the agreements:

1. of 16 December 2010 for the "Design and performance of construction works on the railway line Kraków - Medyka - State border on the section **Dębica - Sędziszów Małopolski** at km 111.500 - 133.600 within the framework of OPI&E Project 7.1-30 "Modernisation of railway line E30/C-E 30, section Kraków - Rzeszów, stage III" Tender 2.2, and
2. of 29 November 2010 for the "Design and performance of construction works on the railway line Kraków - Medyka - State border on the section **Sędziszów Małopolski - Rzeszów Zachodni** within the framework of the Project "Modernisation of railway line E3-/C-E 30, section Kraków - Rzeszów, stage III" Tender 2.3. The disputed circumstance in the case is the necessity of issuing a declaration of conformity with the type for devices or structures pursuant to the Railway Transport Act and correctness of designing and performance of acoustic screens.

The value of the subject of the dispute established for the purposes of the court proceedings amounts to PLN 12,301,000.00. On 10 September 2021, the Court issued a judgment dismissing the claim in its entirety. The Company appealed against the verdict in the part referring to the correctness of construction of acoustic screens. The Company's appeal was dismissed and the case was finally disposed of.

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

- a) determination of the invalidity of the provision of sub-clause 8.7(a) of the Special Conditions of Contract with regard to the agreement of 24 July 2018 for the design and performance of works under the project **Construction of the Szczecin Metropolitan Railway** using the existing sections of railway lines Nos. 406, 273, 351 - Task A titled "Modernization of railway line No. 406 using the section Szczecin Główny-Police". "Modernisation of railway line no. 406 on the section Szczecin Główny-Police" and the agreement of 24 July 2018 for the design and performance of works within the project Construction of the Szczecin Metropolitan Railway with the use of existing sections of railway lines nos. 406, 273, 351 - task B entitled "Modernisation of selected passenger infrastructure on railway lines nos. 273, 351 and 401";
- b) establishing that on the basis of the above contracts, there is no obligation on the part of Trakcja as a contractor to perform certain works and design works.

The value of the subject matter of the dispute established for the purposes of the court proceedings amounts to PLN 229,795.00. The case is at an early stage of the proceedings and its completion date is difficult to predict.

On 30 December 2021, the Company, together with the consortium members, filed a statement of claim against PKP PLK seeking payment of PLN 54,087,000.00, including statutory interest for the amount of PLN 5,087,000.00. PLN, together with statutory interest for delay, for claims related to the railway investment 'Implementation of construction works under Tender No. 1 Modernisation of Jaworzno Szczakowa - Trzebinia section (km 1.150 - 0.000 of line No. 134, km 15.810 - 29.110 of line No. 133)' as part of the project 'Modernisation of railway line E 30, section Zabrze - Katowice - Kraków, Stage IIB'. The claims include:

- a) claims relating to the extended performance of the contract;
- b) a claim relating to the contractual valorisation of the contract price;
- c) additional and surrogate works that were performed on behalf of the Respondent;
- d) claims relating to the lack of cooperation of the Contracting Entity, i.e. in particular claims relating to the lack of track closures, delay in acceptance.

The case is ongoing and at present its completion date is difficult to predict.

### Continuation of claims negotiations

In the first half of 2022, Trakcja Management continued negotiations with PKP PLK in order to settle the litigation amicably. As a result of mediations conducted with the contracting entity PKP PLK with the participation of the mediator of the Court of Conciliation at the State Treasury Solicitor's Office of the Republic of Poland concerning claims of the Parent Company against PKP PLK resulting from pending court proceedings and claims of PKP PLK against the Parent resulting from the development of foundation piles, the Parent Company concluded settlements with PKP PLK.

By virtue of the settlements, all mutual claims between Trakcja and PKP PLK were settled, according to which, as a result of mutual settlements, the Company will receive from PKP PLK a gross payment of PLN 41.8 million.

The conclusion of the settlements had a negative impact on the financial result of the Company and the Group in the amount of PLN 0.6 million. The cash inflow to the Company from the settlements, after taking into account the necessary payments, amounted to PLN 34.1 million.

On 2 August 2022, the Parent Company and PKP PLK received a court order approving the last of the concluded settlements and discontinuing the court cases covered by the settlements. Detailed information was presented in current reports nos. 45/2022 and 52/2022.

As of 30 June 2022, the value of the remaining contractual claims which the Parent Company, together with its consortium partners and subcontractors, is pursuing on a contractual (out-of-court) basis (including valorisation claims) amounts to PLN 409 million, of which the amount attributable to Trakcja amounts to PLN 343 million.

## 48. Related parties transactions

Related parties transactions were performed based on market conditions. That kind of transactions were excluded from condensed consolidated financial statements.

Below are presented the total amounts of related parties transactions cover by the condensed financial statements for the first half of 2022 and comparable period.

Related entities	Financial year	Interest costs	Financial costs for updating the value of bonds
<b>Shareholders of parent entity</b>			
COMSA S.A.U.	1.01.22-30.06.22	306	9
	1.01.21-30.06.21	275	9
Agencja Rozwoju Przemysłu S.A.	1.01.22-30.06.22	4 142	24
	1.01.21-30.06.21	1 060	653
<b>Total</b>	<b>1.01.22-30.06.22</b>	<b>4 448</b>	<b>33</b>
	<b>1.01.21-30.06.21</b>	<b>1 335</b>	<b>662</b>

Below are presented the receivables and liabilities from/towards related parties as at the balance sheet date and at the end of comparable period.

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
<b>Shareholders of parent company:</b>					
COMSA S.A.U.	30.06.2022	97	89	8 815	242
	31.12.2021	95	88	8 500	241
Agencja Rozwoju Przemysłu S.A.	30.06.2022	-	-	20 351	86 923
	31.12.2021	-	15	20 147	86 806
<b>Razem</b>	<b>30.06.2022</b>	<b>97</b>	<b>89</b>	<b>29 166</b>	<b>87 165</b>
	<b>31.12.2021</b>	<b>95</b>	<b>103</b>	<b>28 647</b>	<b>87 047</b>

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

Management Board of the Parent Company is the key management personnel within the Group.

Total remuneration and other benefits of the members of Management Board and Supervisory Board, that was included in the costs of the Company and its subsidiaries in specific periods:

Remuneration of the Management Board	The 6 months period ended			
	30.06.2022 Unaudited		30.06.2021 Unaudited	
	Parent Company	Subsidiaries	Parent Company	Subsidiaries
Salaries and other current employee benefits	3 524	751	2 566	624
Benefits due to termination of employment	1 172	-	-	-
<b>Total</b>	<b>4 696</b>	<b>751</b>	<b>2 566</b>	<b>624</b>

Remuneration of the Supervisory Board of the Parent company	The 6 months period ended			
	30.06.2022 Unaudited		30.06.2021 Unaudited	
	Parent Company	Subsidiaries	Parent Company	Subsidiaries
Salaries and other current employee benefits	539	278	570	272
<b>Total</b>	<b>539</b>	<b>278</b>	<b>570</b>	<b>272</b>

The total amount of remuneration of the Management Board of the Company as of 30 June 2022 includes compensation for termination of the employment contract of Mr Marcin Lewandowski (President of the Management Board of Trakcja S.A. until 11 March 2022) in the amount of PLN 1,172,000.00.

Warsaw, September 30, 2022

*Management Board:*

Jakub Lechowicz

President of the  
Management Board

Piotr Mechecki

Vice-President of the  
Management Board

Bartłomiej Cygan

Member of the  
Management Board

*Person responsible for preparing the report:*

Katarzyna Kocerka

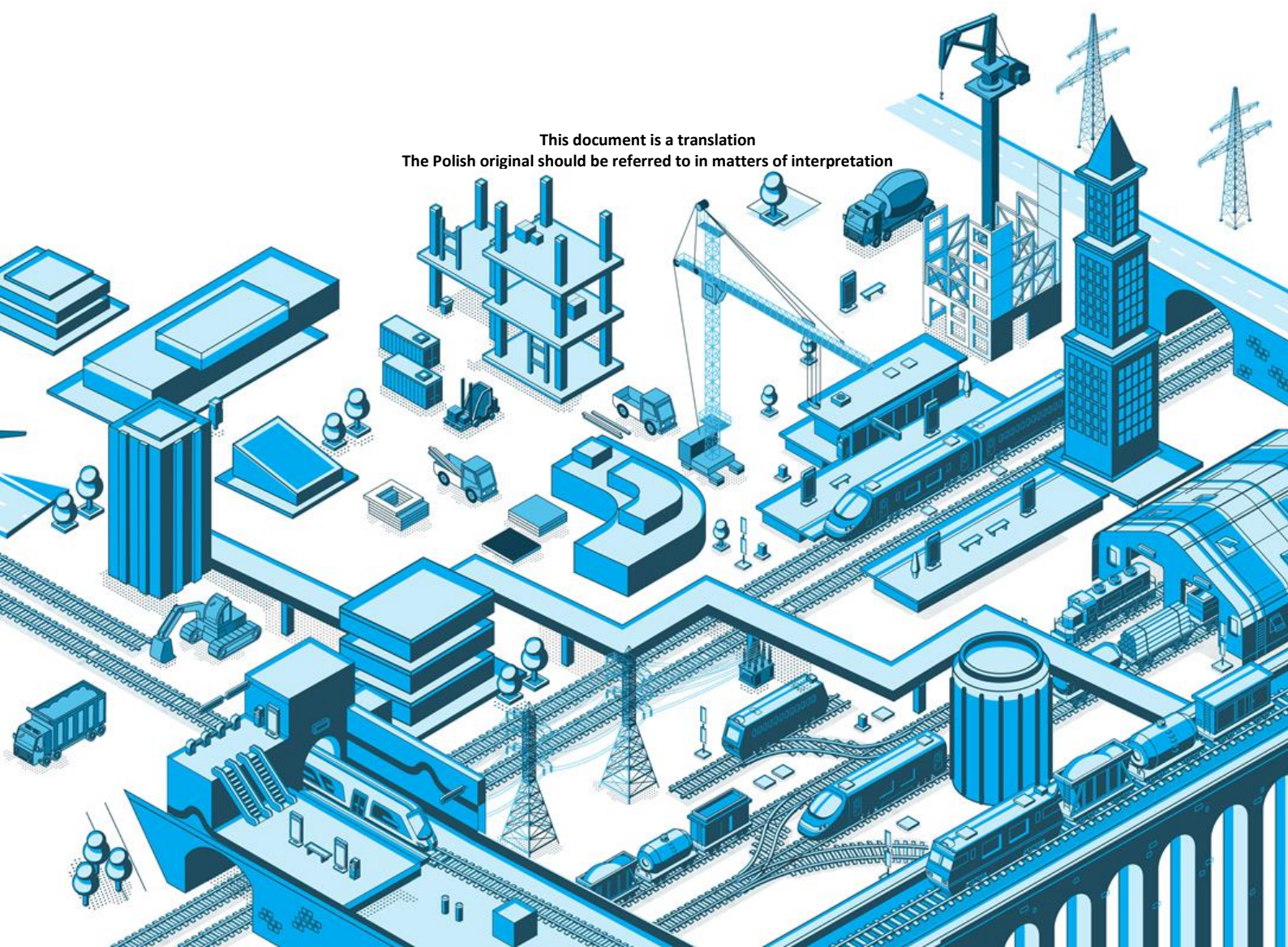
Financial Reporting Director  
Trakcja Group



## CONDENSED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED **JUNE 30, 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**





## APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The Management Board of Trakcja S.A. has approved the condensed financial statements of Trakcja S.A. for the period from January 1, 2022 to June 30, 2022.

The condensed financial statements for the period from January 1, 2022 to June 30, 2022 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union.

Information included herein is presented in the following sequence:

1. Income statement for the period from January 1, 2022 to June 30, 2022, which shows a net loss of PLN **220 193** thousand.
2. Statement of comprehensive income for the period from January 1, 2022 to June 30, 2022, which shows the negative total comprehensive income of PLN **220 193** thousand.
3. Balance sheet as at June 30, 2022, which shows the total assets and total equity and liabilities of PLN **924 372** thousand.
4. Statement of cash flows for the period from January 1, 2022 to June 30, 2022, which shows a decrease in the total net cash flows by PLN **11 454** thousand.
5. Statement of changes in equity for the period from January 1, 2022 to June 30, 2022, which shows a decrease in the equity by PLN **220 187** thousand.
6. Selected explanatory notes.

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

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

Jakub Lechowicz  
President of the Management  
Board

Piotr Mechecki  
Vice-President of the Management  
Board

Bartłomiej Cygan  
Member of the Management  
Board

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## INCOME STATEMENT

	Note	The 6 months period ended	
		30.06.2022	30.06.2021
		Unaudited	Unaudited
<b>Continued operations</b>			
Sales revenue	5	279 621	317 351
Cost of goods sold	6	(377 173)	(327 923)
<b>Gross profit (loss) on sales</b>		<b>(97 552)</b>	<b>(10 572)</b>
Cost of sales, marketing and distribution	6	(1 034)	(1 028)
General and administrative costs	6	(16 168)	(14 059)
Other operating revenues	7	1 989	2 780
Other operating costs	8	(6 319)	(999)
<b>Operating profit (loss)</b>		<b>(119 084)</b>	<b>(23 878)</b>
Financial revenues	9	9 491	5 923
Financial costs	10	(119 062)	(10 593)
<b>Gross profit (loss)</b>		<b>(228 655)</b>	<b>(28 548)</b>
Income tax		8 462	2 139
<b>Net profit (loss) from continued operations</b>		<b>(220 193)</b>	<b>(26 409)</b>
<b>Net profit for the period</b>		<b>(220 193)</b>	<b>(26 409)</b>
<b>Attributable to:</b>			
<b>Profit per share attributable to shareholders in the period (PLN per share)</b>	11		
- basic		(2,55)	(0,31)
- diluted		(2,13)	(0,25)

## STATEMENT OF COMPREHENSIVE INCOME

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Note		
<b>Net profit for the period</b>	<b>(220 193)</b>	<b>(26 409)</b>
<b>Other comprehensive income:</b>		
Other comprehensive net income that will not be reclassified into profit or loss under certain conditions:	-	-
Other comprehensive net income that will be reclassified to profit or loss:	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>(220 193)</b>	<b>(26 409)</b>

## BALANCE SHEET

	Note	30.06.2022 Unaudited	31.12.2021 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>487 560</b>	<b>586 458</b>
Tangible non-current assets	12	135 644	143 872
Intangible assets	12	51 747	51 170
Investment properties	14	25 416	25 456
Investments in subsidiaries	13	194 745	288 940
Other financial assets		12 878	17 041
Deferred tax assets		62 819	54 352
Accruals		4 311	5 627
<b>Current assets</b>		<b>436 812</b>	<b>467 405</b>
Inventory	17	73 590	52 176
Trade and other receivables	18	248 439	230 625
Other financial assets		4 211	3 333
Cash and cash equivalents	19	5 164	16 618
Accruals		12 971	11 220
Contracts with customers assets	16	92 437	153 433
<b>TOTAL ASSETS</b>		<b>924 372</b>	<b>1 053 863</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>		<b>63 547</b>	<b>283 734</b>
Share capital	21	69 161	69 161
Share premium account		199 160	199 160
Revaluation reserve		6 086	6 082
Other capital reserves		391	391
Retained earnings		(211 251)	8 940
<b>Total equity</b>		<b>63 547</b>	<b>283 734</b>
<b>Long-term liabilities</b>		<b>308 519</b>	<b>335 228</b>
Interest-bearing loans and borrowings	22	276 268	303 875
Bonds	23	28 790	28 451
Provisions	25	3 113	2 485
Liabilities due to employee benefits		348	417
<b>Short-term liabilities</b>		<b>552 306</b>	<b>434 901</b>
Interest-bearing loans and borrowings	22	109 313	77 856
Bonds	23	376	196
Trade and other liabilities	24	304 970	244 995
Provisions	25	45 111	24 300
Liabilities due to employee benefits		8 859	9 248
Accruals		968	1 099
Contracts with customers liabilities	16	82 709	77 207
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>924 372</b>	<b>1 053 863</b>

## STATEMENT OF CASH FLOWS

		The 6 months period ended	
	Note	30.06.2022	30.06.2021
		Unaudited	Unaudited
<i>Cash flows from operating activities</i>			
Gross profit from continued operations		(228 655)	(28 548)
Adjustments for:		205 899	(75 236)
Depreciation		9 814	10 297
FX differences		302	(344)
Net interest and dividends		5 726	3 816
(Profit)/loss on investment activities		98 985	(974)
Change in receivables	20	(33 021)	(6 140)
Change in inventory		(21 414)	5 083
Change in liabilities, excluding loans and borrowings	20	58 075	(39 128)
Change in prepayments and accruals		(566)	707
Change in provisions		21 439	4 360
Change in settlements in contracts		66 498	(52 975)
Other		61	62
Net cash flows from operating activities		(22 756)	(103 784)
<i>Cash flows from investment activities</i>			
Purchase of intangible assets		(907)	(545)
Sale of tangible non-current assets		1 472	54 427
Purchase of tangible non-current assets		(2 079)	(527)
Sale or returned financial assets		2 900	307
Purchase of financial assets		(4 439)	(3 890)
Returned loans		200	-
Granted loans		(700)	-
Dividend received		22 323	-
Net cash flows from investment activities		18 770	49 772
<i>Cash flows from financial activities</i>			
Proceeds on account of taken borrowings and loans		11 838	130 732
Repayment of borrowings and loans		(1 252)	(62 173)
Interests and commissions paid		(11 906)	(5 806)
Payment of liabilities under financial lease agreements		(6 148)	(8 000)
Net cash flows from financial activities		(7 468)	54 753
Total net cash flows		(11 454)	741
Cash at start of period		16 618	6 693
Cash at end of period	19	5 164	7 435
- with limited access	19	2 215	1

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals	Retained earnings	Total
<b>As at 1.01.2022</b>						
<b>Audited</b>	<b>69 161</b>	<b>199 160</b>	<b>6 082</b>	<b>391</b>	<b>8 940</b>	<b>283 734</b>
Net profit for the period	-	-	-	-	(220 193)	(220 193)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(220 193)</b>	<b>(220 193)</b>
Other	-	-	4	-	2	6
<b>As at 30.06.2022</b>	<b>69 161</b>	<b>199 160</b>	<b>6 086</b>	<b>391</b>	<b>(211 251)</b>	<b>63 547</b>
<b>Unaudited</b>						
<b>As at 1.01.2021</b>						
<b>Modified*</b>	<b>69 161</b>	<b>269 641</b>	<b>7 082</b>	<b>391</b>	<b>(66 630)</b>	<b>279 645</b>
Net profit for the period	-	-	-	-	(26 409)	(26 409)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26 409)</b>	<b>(26 409)</b>
Distribution of profit	-	(70 481)	-	-	70 481	-
<b>As at 30.06.2021</b>	<b>69 161</b>	<b>199 160</b>	<b>7 082</b>	<b>391</b>	<b>(22 558)</b>	<b>253 236</b>
<b>Modified*</b>						

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals	Retained earnings	Total
<b>As at 1.01.2021</b>	<b>69 161</b>	<b>269 641</b>	<b>7 082</b>	<b>391</b>	<b>(66 630)</b>	<b>279 645</b>
<b>Modified*</b>						
Net profit for the period	-	-	-	-	3 855	3 855
<b>Total comprehensive income</b>	-	-	-	-	<b>3 855</b>	<b>3 855</b>
Distribution of profit	-	(70 481)	-	-	70 481	-
Sale or liquidation of fixed assets revalued to fair value	-	-	(1 000)	-	1 234	234
<b>As at 31.12.2021 Audited</b>	<b>69 161</b>	<b>199 160</b>	<b>6 082</b>	<b>391</b>	<b>8 940</b>	<b>283 734</b>

\*The restatement relates to the presentation changes in equity (more information in Note 2.4 herein).



## SELECTED EXPLANATORY NOTES

### 1. General information

These condensed standalone financial statements of the Company comprise 6 months ended June 30, 2022 and comparable data.

Trakcja S.A. ("Trakcja", "Company", "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 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 PRKil S.A.
<b>29.07.2020 - now</b>	<b>Trakcja S.A.</b>

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

The Company specialises in the following types of activity:

- foundation and network works,
- construction and renovation of tracks,
- installation of traction substations and section cabs,
- installation of high and low voltage overhead and cable lines,
- installation of local supply and control cables,
- manufacturing of products (high, medium and low voltage switching stations, traction network equipment and local control devices),
- specialist equipment services (excavators, railway and truck cranes, boring rigs, pile drivers),
- construction of bridges, viaducts, piers, flyovers, tunnels, underground passings, roads and accompanying elements of rail and road infrastructure,
- construction and modernization of tram and trolleybus infrastructure.

## Change after the balance sheet date of the Parent Company with control over the Trakcja Group

As at 30 June 2022, Trakcja did not identify a higher-level parent company. Until 1 January 2022, Trakcja identified COMSA S.A.U. as the ultimate controlling parent Company due to the power to appoint and dismiss members of the Company's Management Board (based on provisions of the Company's Articles of Association), which expired on 1 January 2022. As at 30 June 2022, COMSA S.A.U. had significant influence over the activities of the Trakcja Group. As of 29 August 2022, in connection with the registration by the District Court for the Capital City of Warsaw in Warsaw, 12th Business Division of the National Court Register of the increase in the Company's share capital described in Note 21 of this report, PKP Polskie Linie Kolejowe S.A. ("PKP PLK") became the parent company with control over the Trakcja Group.

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 GSM
PKP PLK S.A.	250 000 000	74,31%	250 000 000	74,31%
COMSA S.A.U.	28 399 145	8,44%	28 399 145	8,44%
Agencja Rozwoju Przemysłu S.A.	16 117 647	4,79%	16 117 647	4,79%
Other	41 934 184	12,46%	41 934 184	12,46%
<b>Total</b>	<b>336 450 976</b>	<b>100,00%</b>	<b>336 450 976</b>	<b>100,00%</b>

PKP PLK is the manager of the Polish national railway network. An important element of PKP PLK's activities is the implementation of investment tasks involving the modernisation of railway infrastructure, largely co-financed with public and EU funds. In addition, PKP PLK carries out a wide range of maintenance and replacement works aimed at increasing the safety of train traffic, in which it engages mainly budget subsidy funds and funds from the Railway Fund. The PKP PLK Group is Trakcja's main customer. Detailed information is provided in note 21 of this report.

Furthermore, on 28 September 2022, the shareholders of the Company - ARP and PKP PLK -acting in concert announced a tender offer for the sale of shares in Trakcja S.A. ("Tender Offer"). The subject of the Tender Offer is 70,333,329 ordinary bearer shares with a nominal value of PLN 0.80, representing approximately 20.90 per cent of the total number of shares in the Company's share capital. The Tender Offer will be conducted in two phases and will end on 8 November 2022.

## 2. Accounting principles and changes therein in the I half of 2022 concerned

### 2.1. Significant values based on professional judgment, estimates and assumptions

Detailed information concerning the significant values based on professional judgment, estimates and assumptions is presented in notes to the consolidated financial statements of Trakcja Group for the financial year 2021. In the 1st half of the year 2022, there have been no material changes to the accounting estimates, assumptions and professional judgement of the management subject to verification as on the balance sheet day of June 30, 2022 concerning the measurement of construction contracts (Note 5 herein) as well as the investments in subsidiaries (Note 13 herein).

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

## Professional judgment

### Fair value of financial instruments

The fair value of financial instruments for which no active market exists is determined by means of appropriate valuation methods. In selecting appropriate valuation methods and assumptions, the Company relies on professional judgement. The assumptions made for this purpose are presented in Note 3.22 of the Notes to the consolidated financial statements of Trakcja for 2021.

In the I half of 2022, the Company did not change the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

### Investment properties

The Company's Management Board classifies property as tangible non-current assets or investment properties depending on their intended use by the Company.

### Classification of joint contractual arrangements

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

### Control over related entities

The company exercises control over the related entities, if it is exposed or has rights to variable returns from its involvement and when it is in a position to use its powers over an entity to exert an effect on such returns. In the first half of 2021, the Company did not take control of any significant entity and has not identified any indications of loss of control.

## Uncertainty of estimates and assumptions

### Measurement of long-term construction contracts

The 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 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. Detailed information regarding the update of contract budgets in first half of 2022 were presented in Note 5 herein.

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.

### Indexation of contractual remuneration under construction contracts

The Company includes remuneration for the indexation of the contractual remuneration [(price increase index defined in the contracts) compared to the conclusion date of the contract], if the contract provides for it, and recognizes this remuneration as income, according to the stage of completion of the contract. Contract value principles are defined individually in project-specific contracts and the Group calculates the additional compensation arising from indexation on the basis of contractual terms.

In the absence of uniform market standards for the calculation of the amount of indexation, the calculation of the indexed remuneration is subject to risks and uncertainties.

As at 30 June 2022, the Management Board of the Company decided to change the adopted estimates of the value of valorisation in the budgets of specific contracts executed for PKP PLK. The estimated impact of the above-mentioned decision on the Company's gross result on sales for the first half of 2022 was negative and amounted to PLN 37.6 million.

### Separation of non-lease components

The Company assesses whether the contract includes lease and non-lease components. Non-lease components, such as maintenance fees in contracts for lease of premises, or service maintenance of components of assets constituting the subject of the contract, are then separated from contracts that included lease and non-lease components. However if the contract covers non-lease elements which the Company deems insignificant in the light of the entire contract, the Company shall apply a simplification consisting in joint treatment of lease and non-lease elements as one lease element.

### Defining the lease term

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

### Useful lives of asset components due to usage rights

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

#### Provisions for additional works

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The Company is obliged to grant warranty for its services. The provision for additional works depends on the segment in which the companies operate and is based on the Company'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 Company recognises provisions for contractual penalties in relation to any contracts under completion in the amounts in which they may and are likely to be imposed. Provisions are recognised based on the documentation regarding the contract completion and on the opinion of lawyers who participate in the ongoing negotiations and estimate the Company's potential future liabilities on the basis of their course. The carrying amount of the provisions for additional works as at 30 June 2022 is presented in Note 25 of the Notes.

#### Measurement of employee benefit liabilities

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

#### Deferred tax assets

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

#### Depreciation rates

Depreciation rates are determined on the basis of the expected economic useful lives of tangible non-current assets and intangible assets. Every year the Company reviews the adopted economic useful lives using current estimates. During the 6-month period ended 30 June 2022, there were no significant changes in the depreciation rates applied by the Company.

#### Investment properties

Investment properties are measured at fair value. The value of investment properties is determined by independent experts who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Group follows the principles set forth in IFRS 13 and in the Real Estate Management Act and also in the Regulation of the Council of Ministers on the detailed principles of property valuation and rules and method for preparing valuation reports. Fair value of investment properties is measured by way of applying measurement techniques that require a maximum use of observable data. As at June 30, 2022, there were no indications of a possible change in the value of investment properties, therefore the Company did not make a valuation as at that date.

#### Impairment of investments in subsidiaries

Shares and stock in subsidiaries are disclosed at their purchase value less any impairment write-offs. The necessity of making an impairment write-off is valued in accordance with IAS 36 Impairment of Assets by comparing the balance sheet value against the greater of two amounts: fair value less disposal costs and value in use. As at June 30, 2021, conditions appeared which indicate the possibility of impairment of investments at subsidiaries, and accordingly, the Company conducted a test, as a result of which it was found that the investments were impaired, as presented in Note 13 and 29 of this report.

#### Impairment of financial assets

In assessing whether financial assets have been impaired, available and generally used methods of valuation were employed, taking into account forecasts of the shaping of future Company cash flows in connection with the held assets. The change in impairment of the financial assets was presented in Note 15 and 29 herein.

#### Impairment of inventories

The Management Board assesses whether there are any premises indicating the possibility of impairment of inventories in accordance with note 3.8 of Additional information and explanations in the annual financial statements for the year ended December 31, 2021. Determining the impairment requires estimating the net value possible to obtain for inventories that have lost their useful or useful features. The change in the inventory revaluation write-down has been presented in Note 30 of Additional information and explanations.

#### **Expected credit loss and impairment of trade and other receivables**

Pursuant to IFRS 9, the Company recognises a loss allowance for expected credit losses on trade and other receivables. For trade receivables, the Company applies a simplified approach for receivables analysed on a collective basis – for these receivables, an allowance for lifetime expected credit losses is calculated, regardless of the analysis of changes in credit risk. The change in the impairment allowance for trade and other receivables is presented in Note 29 of Additional information and explanations.

#### **Fair value measurement and measurement procedures**

Some assets and liabilities of the Company are measured at fair value for the purposes of financial reporting. The Company measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. Detailed information on items measured at fair value is presented in notes 27 of Additional information and explanations. Information on valuation techniques and batch data used to measure the fair value of individual assets and liabilities is disclosed in notes 3.4 and 3.23 of Additional information and explanations to the annual separate financial statements of Trakcja S.A. for the financial year ended December 31, 2021.

## **2.2. Basis for preparing condensed financial statements**

The condensed financial statements for the period from January 1, 2022 to June 30, 2022 are prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the relevant accounting standards applicable to interim financial reporting approved by the European Union, published and in force at the time of the preparation of the interim financial statements using the same principles for the current and comparable period.

The presentation of the financial statements is based on IAS 34 "Interim financial reporting" with the same principles being applied for the current and comparable periods and with the comparable period being adjusted accordingly to the changes in the accounting and presentation principles adopted in the current period.

The condensed financial statements does not include all the information and disclosures required in yearly financial statements thus it shall be read altogether with separate financial statements for the financial year ended December 31, 2021.

## **2.3. Statement of compliance**

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

These standalone annual financial statements have been prepared on the assumption that the Company would continue as a going concern in the foreseeable future. As at the date of authorisation of these standalone financial statements, there are no circumstances which would indicate a threat to the Group continuing as a going concern. For details, see Note 4 to these financial statements.

For the Company, both measurement currency and reporting currency is Polish zloty, while for the Trakcja S.A. Branch in Ukraine – the Ukrainian hryvnia (UAH).

These financial statements were approved for publication by the Management Board of the Company on September 30, 2022.

## **2.4. Key accounting principles**

Except for the changes presented in Note 2.5 herein, the accounting principles (policy) applied to these condensed financial statements for the first half of 2022 are consistent with those applied to the annual standalone financial statements for the financial year ended December 31, 2021.

The accounting principles adopted by the Company are described in detail in its annual financial statements for the financial year ended December 31, 2021.

## **2.5. Effect of application of new accounting principles and changes to the accounting policy**

### **Amendments to standards applied for the first time in 2022**

The Company 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 above amendments to standards did not have a material impact on the Company's accounting policies to date.

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

IFRS as endorsed by the EU does not currently differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards and amendments to standards which, as at the date of this report, have not yet been adopted 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: IFRS 16 “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 aforementioned standards and amendments to standards would not have a material impact on the financial statements if applied by the Company at the balance sheet date.

### Amendments adopted independently by the Company

In the 2021 financial statements, the Company has changed the presentation of equity items as at 31 December 2021 and restated the comparatives, i.e. as at 31 December 2020. For details, see Note 1.6 of the annual financial statements of Trakcja Company for 2021.

In the first half of 2022, as part of the accounting policy update, the Company unified the rules for loans and credit guarantees granted or received within the Group or from/to external parties. In accordance with IFRS 9, the Company recognises income or expenses from loan and credit guarantees granted or received within the Trakcja Group or from/to external parties. The entity providing the guarantee recognises revenue (the entity receiving the guarantee recognises an expense) over the term of the guarantee.

## 3. Description of factors and events having a significant impact on financial results achieved in the I half of 2022

In the first half of 2022, Trakcja S.A. generated sales revenue of PLN 279,621,000.00, which decreased by 12% against the same period last year. The cost of sales for the 6 months of 2022 amounted to PLN 377,173,000.00 and increased by PLN 49,250,000.00, i.e. by 15%, against the comparable period. The Company recorded a gross loss on sales of PLN 97,552,000.00 in the first half of 2022, which was higher by PLN 86,980,000.00 against the comparable period. The gross profit margin on sales in the first half of 2022 was -34.9%, down 31.6 p.p. against the comparable period.

The Company undertook a cyclical review of construction contracts in progress, in the process of which contract budgets were updated with regard to the nature, amounts, timing and uncertainty of revenues and cash flows arising from their performance. In the course of updating the budgets, an analysis of opportunities and risks was carried out, in which technical, performance and liquidity risks, as well as those related to the extension of contract performance, were identified and taken into account.

As a result of the cyclical review of contracts as at the end of Q2 2022, the Company periodically updated the margins of the performed contracts. In Q2 2022, the impact of the update of contract budgets on the Company's gross profit was negative and amounted to PLN 104,069,000.00. The main factors that most negatively affected the amount of the budget update were:

- inclusion of additional costs related to design and construction on railway contracts;
- an increase in costs related to the expected extension of contract performance;
- inflationary pressures negatively impacting contract performance costs.

In addition, in Q2 2022, the Company operated in an insufficient liquidity environment, which negatively impacted its operations.

The above amount of PLN -104,069,000.00 also includes:

- a change in the adopted estimates of the value of valorisation in the budgets of certain contracts performed for PKP PLK, of which the Company informed in current report No. 53/2022; the Management Board decided to adjust the valorisation value included in the budgets of contracts from the so-called old basket, where contractual provisions may raise interpretative doubts. In the course of expert analyses, an adjustment coefficient was prudently adopted, as a result of which the valorisation included in the budgets was reduced by PLN 37.6 million;
- the impact of the settlement of concluded settlements with PKP PLK, as to which the Company informed in current reports nos. 45/2022 and 52/2022.

In addition, as a result of the cyclical review of contracts as at the end of Q1 2022, the Company periodically updated the margins of the contracts performed. The total amount of the updated contact budgets carried out



was negative and amounted to PLN 62,011,000.00, resulting in a negative impact of PLN 20,732,000.00 on the result in Q1 2022.

The most significant factors that influenced the amount of the update of contract budgets in Q1 2022 were an increase in the prices of materials and third-party services, an increase in costs related to the expected extension of the performance of contracts and an increase in revenue from contract valorisation. The first two factors mentioned above are mainly due to inflationary pressures related to, among other things, the war on Ukrainian territory.

General and administrative expenses reached PLN 16,168,000.00 and increased by 15%, i.e. by PLN 2,109,000.00 against the comparable period. The increase in costs was mainly due to the establishment of a provision for the payment of compensation to the previous President of the Management Board.

Sales, marketing and distribution costs reached PLN 1,034,000.00 and increased by PLN 6,000.00. Other operating income amounted to PLN 1,989,000.00 and decreased by PLN 791,000.00 compared to the first half of 2021. Other operating expenses amounted to PLN 6,319,000.00 and increased by PLN 5,320,000.00, which was mainly due to the recognition of settlement of settlements concluded with PKP PLK concerning claims of Trakcja against PKP PLK resulting from court proceedings and claims of PKP PLK against Trakcja concerning the development of foundation piles in the total amount of PLN 5,078,000.00. For the period of 6 months of 2022, the Company generated a loss from operating activities in the amount of PLN 119,084,000.00, with a loss of PLN 23,878,000.00 from operating activities for the period of the first half of 2021.

The Company's financial revenue for the period from 1 January to 30 June 2022 amounted to PLN 9,491,000.00 and increased by PLN 3,568,000.00 against the comparable period, due to the recognition by the Company of higher revenue from dividends received from subsidiaries by PLN 4,787,000.00 against the comparable period. Financial expenses in the first half of 2022 amounted to PLN 119,062,000.00 and increased by PLN 108,469,000.00, mainly due to write-downs of investments in subsidiaries: AB Kauno Tiltai, PEUiM sp. z o.o., BTW sp. z o.o. and Torprojekt sp. z o.o. made in the first half of the year for a total of PLN 94,195,000.00 and a write-down of a loan granted to the Torprojekt subsidiary in the amount of PLN 5,639,000.00, as well as higher interest expenses by PLN 9,248,000.00, including PLN 7,001,000.00 on loans and borrowings and PLN 2,462,000.00 on liabilities.

In the period under review, the Company incurred a gross loss of PLN 228,655,000.00. This result was lower by PLN 200,107,000.00 compared to the same period last year, when the Company made a gross loss of PLN 28,548,000.00.

The Company ended the first half of 2022 with a net loss of PLN 220,193,000.00. This result was lower by PLN 193,784,000.00 compared to the result achieved in the first half of 2021.

The balance sheet total as at 30 June 2022 amounted to PLN 924,372,000.00, which was PLN 129,491,000.00 lower than the balance sheet total at the end of 2021.

Fixed assets as at 30 June 2022 amounted to PLN 487,560,000.00 and decreased by PLN 98,898,000.00, a decrease of 17% compared to the fixed assets as at 31 December 2021.

Current assets decreased by PLN 30,593,000.00, or 7%, compared with the status as at 31 December 2021 and amounted to PLN 436,812,000.00. Trade and other receivables increased by PLN 17,814,000.00, inventories increased by PLN 21,414,000.00, while cash and cash equivalents decreased by PLN 11,454,000.00. Assets under contracts with customers amounted to PLN 92,437,000.00 as at the balance sheet date and decreased by PLN 60,996,000.00 compared with the end of the previous year.

The Company's equity as at 30 June 2022 reached PLN 63,547,000.00 and decreased by PLN 220,187,000.00, i.e. by 78% compared to 31 December 2021.

Long-term liabilities as at 30 June 2022 reached PLN 308,519,000.00 and decreased by PLN 26,709,000.00, i.e. by 8% compared to 31 December 2021. The main factor for the decrease in this item was the decrease in loans and borrowings by PLN 27,607,000.00.

Short-term liabilities reached PLN 552,306,000.00 and increased by PLN 117,405,000.00, i.e. by 27% in comparison with the status as at the end of the previous year. The above increase was influenced by an increase in the balance of trade and other payables by PLN 59,975,000.00, i.e. by 24% in the analysed period in comparison with the value as at 31 December 2021, an increase in the balance of interest-bearing loans and borrowings by PLN 31,457,000.00 and an increase in the status of provisions by PLN 20,811,000.00.

The Company commenced 2022 with cash presented in the cash flow statement in the amount of PLN 16,618,000.00, while it ended the 6-month period with a cash balance of PLN 5,164,000.00. Net cash flow for the 6-month period of 2022 was negative at PLN -11,454,000.00, a decrease of PLN 12,195,000.00 against the same period of 2021.

#### 4. Going concern assumption

Further to Note 1.7 of the annual separate financial statements of Trakcja for the financial year ended on 31 December 2021, Note 1.8 of the annual consolidated financial statements of Trakcja Group for the financial year ended on 31 December 2021 and Note 10 of the consolidated quarterly report for the first quarter of 2022, the Management Board of the Company presents below an update on the issues described in the indicated notes of the financial statements.

##### Going concern

The abridged financial statements for the six months ended on 30 June 2022 have been prepared on a going concern basis and therefore do not include any adjustments relating to different measurement and classification of assets and liabilities that would be necessary if the Company's going concern assumption proved to be unjustified.

Based on the data and assumptions made as at the date of approval for publication of the consolidated quarterly report for Q1 2022, i.e. 27 May 2022, a financing gap relating to the Company of approximately PLN 178 - 240 million was identified (the financing gap presented in the financial statements for 2021 was PLN 116 - 176 million; the reported value of the financing gap was an estimate of imprecise information changing over time depending on the assumptions made as to the occurrence of future events and subject to a high risk of volatility over time).

The financial gap described above was calculated prior to the events described below:

- a) the updating of contract budgets and the change in the adopted estimates of the value of valorisation in the budgets of certain contracts, together with the impact of the settlement of the settlements concluded with PKP PLK as at 30 June 2022, which the Company announced in current report No. 55/2022;
- b) a write-down of loans granted to the Torprojekt sp. z o. o. subsidiary as at 30 June 2022, as the Company announced in current report No. 63/2022;
- c) the possible recapitalisation of the Torprojekt sp. z o. o. subsidiary contemplated by the Company in an amount ensuring its positive capitals (which would take place after the balance sheet date and after the date of approval of this report for publication), as reported in current report No. 58/2022.

The total deterioration in future cash flows due to the events described in the above paragraphs could amount to approximately PLN 106 - 120 million.

During the first half of 2022 and up to the date of approval for publication of this report, the Company has been working intensively on raising financings to cover the financing gap referred to above:

1. On 22 June 2022, the Company entered into an investment agreement with PKP PLK, pursuant to which PKP PLK agreed to subscribe for 250 million Series E ordinary registered shares in the Company's increased share capital, at an issue price of PLN 0.80 per Series E share, in exchange for a cash contribution of PLN 200,000,000.00 ("Series E Shares"). Subsequently, on 23 June 2022, Trakcja's EGM adopted a resolution on increasing the Company's share capital by issuing Series E Shares. On 8 July 2022, Trakcja and PKP PLK entered into a share subscription agreement. On 29 September 2022, registration of the capital increase in the National Court Register took place. Detailed information was presented in current reports nos. 37/2022, 39/2022, 49/2022 and 56/2022.
2. On 28 June 2022, as a result of mediations conducted with the contracting entity - PKP PLK - with the participation of the mediator of the Court of Arbitration at the State Treasury Solicitor's Office of the Republic of Poland, concerning the Company's claims against PKP PLK resulting from court proceedings and PKP PLK's claims against the Company resulting from the development of foundation piles, the Company concluded settlements with PKP PLK. Pursuant to the settlements, all mutual claims between the Company and PKP PLK were settled, according to which, as a result of mutual settlements, the Company will receive from PKP PLK a gross payment of PLN 41,750,000.00. On 2 August 2022, the Company and PKP PLK received a court order approving the last of the concluded settlements and discontinuing the court cases covered by the settlements, which was a condition for the Company to receive payment from PKP PLK under the concluded settlements. The cash inflow to the Company from the settlements, after taking into account the necessary payments, amounted to PLN 34,065,000.00. Detailed information was presented in current reports nos. 45/2022 and 52/2022.
3. In addition, in the first half of 2022 and up to the date of approval for publication of this report, the Company received the following cash inflows from dividends from subsidiaries:
  - a. PLN 14,929,000.00, i.e. 1/3 of the amount of the dividend adopted by the General Meeting of the AB Kauno Tiltai subsidiary on 23 December 2021 (details in current report no. 57/2021);
  - b. PLN 7,395,000.00 from the dividend adopted by the General Meeting of the AB Kauno Tiltai subsidiary on 29 April 2022 (details in current report no. 23/2022).
4. On 6 September 2022, the Company recorded the receipt of an advance payment on the contract "Reconstruction of railway line No. 7 - Warszawa Wschodnia - Wawer" with a gross value of PLN 51,950,000.00.

The Company's equity as at 30 June 2022 amounted to PLN 63,547,000.00 and was lower than the value of the Company's share capital by PLN 5,614,000.00. The Company's net loss in the first half of 2022 of PLN 220,193,000.00, together with accumulated losses from previous years, did not exceed the sum of the Company's supplementary capital, reserve capital and one-third of the share capital. After the balance sheet date, due to the registration of the Company's capital increase in the National Court Register, there was an increase in the value of the share capital and thus Trakcja's equity by PLN 200 million.

Based on the data and assumptions made at the time of approval for publication of this report, a financing gap of approximately PLN 46 - 68 million was identified for the Company. The amount was estimated by an external advisor based on the data and assumptions provided by the Company. The reported value of the financing gap is an estimate that is imprecise and changes over time depending on the assumptions made as regards the occurrence of future events and is subject to a high risk of volatility over time.

Trakcja has an active liquidity management policy, monitoring liquidity on an ongoing basis in the short and long term, and carries out weekly cash flow monitoring in an effort to maintain a stable level of available funding. In order to maintain liquidity, the Parent Company takes steps to obtain contracts for which advances are provided. In addition, Trakcja implements an active policy of maintaining a low level of receivables, managing inventories, selling key materials to contracting entities in the initial phase of contract performance and negotiating with subcontractors to extend payment terms. The Parent Company places great emphasis on optimising invoicing

processes by shortening the period between the performance of works and the invoicing of completed works. The Company believes that the above measures will lead to a reduction in the financing gap identified at 30 June 2022.

The amount of future cash flows is influenced by the amount of estimated to be received revenues from variable remuneration included in contract budgets concerning valorisation. As at 30 June 2022, the value of uninvoiced revenues from valorisation (after adjustment as disclosed by the Company in current report No. 53/2022 and referred to in note 5 of this report) amounted to PLN 70.3 million. The future recoverability of the additional remuneration due to valorisation is subject to uncertainty and will affect the Company's liquidity.

In view of the above, in the opinion of the Management Board, the risk of a threat to the Company's going concern, related to the lack of sufficient liquidity to carry out its operations, still exists and is due to the factors indicated above. However, due to events occurring after the balance sheet date, i.e. the recapitalisation of the Company in the amount of PLN 200 million, receipt of an advance payment for the Warszawa Wschodnia-Wawer contract in the amount of PLN 52 million and the receipt of funds from settlements with PKP PLK, the risk of the Company continuing as a going concern was minimised in the perspective of at least 12 months from the date of approval for publication of these statements. The Company's Management Board has prepared these financial statements on the assumption that the Company will continue as a going concern during this period.

## 5. Sales revenue

Main types of products and services	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Construction and assembly services	267 181	306 155
Design services	3 059	5 147
Equipment rental	2 726	2 720
Deliveries of products (switchgears, supporting structures, etc.)	1 883	2 785
Deliveries of goods and materials	1 480	366
Others	3 292	178
<b>Total</b>	<b>279 621</b>	<b>317 351</b>

Allocation of revenues by country	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Poland	276 297	316 655
Germany	3 324	696
<b>Total</b>	<b>279 621</b>	<b>317 351</b>

Allocation of revenues by recipients	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
General government	266 005	310 234
Private Sector	13 616	7 117
<b>Total</b>	<b>279 621</b>	<b>317 351</b>

Breakdown of sales revenues according to the duration of contracts, measured from the balance sheet date	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Contracts to 12 months	52 235	78 184
Contracts over 12 months	227 386	239 167
<b>Total</b>	<b>279 621</b>	<b>317 351</b>

Revenue earned by the Company is recognized in three operating segments which are the same reporting segments.

#### **Variable remuneration for construction contracts**

The Group included in the valuation of construction contracts variable remuneration resulting from court and out-of-court claims and contractual conditions on the basis of lower conditions, which also require a subjective judgment of the Management Board of the Company. The recognition of variable remuneration was linked to make estimates that required inherent uncertainty. In the opinion of the Management Board of the Company there is no high risk of future reversal of income recognized as a result of recognition of variable remuneration. The total value of income resulting from recognition of variable remuneration recognized in the financial period ended June 30, 2022 and prior years amounts to PLN 131,4 thousand.

#### **Court and contractual claims**

As at June 30, 2022, in contract budgets variable remuneration resulting from contractual claims was recognized and included in revenue - according to the stage of completion of the contract:

- pursued in courts; estimated and taking into account the probability coefficients of obtaining the amounts requested; and
- pursued through contract negotiations with the Company's customers.

An analysis of opportunities and risks is carried out for each contract in the Company, taking into account contractual, legal and technical implications and expert judgment. Contract records, performance (or non-performance) of contractual obligations by all parties to the contract and the actual chances of payment of the claim are taken into account.

The revenue on court and contractual claims were recognized in the Company's balance sheet as at June 30, 2022 in the amount of PLN 47,5 million.

#### **Settlements concluded with PKP PLK in the first half of 2022**

On June 28, 2022 the Company informed that, as a result of mediations conducted with the contracting entity, PKP PLK with the participation of the mediator of the Court of Conciliation at the State Treasury Solicitor's Office of the Republic of Poland concerning the Company's claims against PKP PLK resulting from pending court proceedings and PKP PLK's claims against the Company resulting from the development of foundation piles, the Company concluded settlements with PKP PLK. On August 2, 2022 the Company and PKP PLK have received the court order approving the last settlement and which discontinues court litigation covered by the settlements, which was a condition of receiving payment by the Company from PKP PLK pursuant to the concluded settlements. Under the settlements, all mutual claims between the Company and PKP PLK were settled, according to which, as a result of mutual settlements, the Company received payment from PKP PLK in the amount of PLN 41,8 million gross. According to the Company's assumptions, the conclusion of settlements had a negative impact on the financial result of both the Company and the Group in the amount of PLN 0.6 million. After taking into account the necessary payments, the inflow of cash to the Company due to settlements amounted to PLN 34.1 million. Detailed information was presented in current reports no. 45/2022 and 52/2022.

#### **Estimated additional revenue under individual contracts**

For some ongoing contracts, the Group, when establishing the contract budget and its expected result, takes into account variable amounts of remuneration (hereinafter called "Conditional Amounts") and recognizes them in revenue, according to the stage of completion of the contract. Conditional Amounts arise from contractual provisions and may become due to the Group in the event of future events, inter alia such as additional work not included in the contract. Their nature means, that the final acquisition and value of Conditional Amounts are

subject to uncertainty. Conditional Amounts shall be included in the budgets of contracts only if there is a high probability of receiving.

#### **Indexation of the contractual remuneration**

In the contract budgets, the Group includes remuneration for the indexation of the contractual remuneration [(price increase index defined in the contracts) compared to the conclusion date of the contract], if the contract provides for it, and recognizes this remuneration as income, according to the stage of completion of the contract.

Contract value principles are defined individually in project-specific contracts and the Group calculates the additional compensation arising from indexation on the basis of contractual terms.

Some of the agreements concluded contain a maximum limit to which the indexation may be calculated. The indexation records, even in the case of contracts with the same customers, vary according to the date of their conclusion. The indexation on individual contracts refers to the different indicators published by GUS (the Central Statistics Office) according to the contract. In the case of part of the contracts, the payment of the additional remuneration as a result of the indexation shall be subject to the minimum value of the above mentioned indicators or to the condition that the progress of the work is made in accordance with the material and financial timetable.

As at the date of approval of these financial statements, not all Group's requests for indexation have been considered and among considered only part has been accepted. The calculation of the indexation amount is complex and for some contractual provisions there are differences of interpretation between the Group and its clients, which is typical for the entire infrastructure construction industry in the opinion of the Management Board of the Company. The opinion of the Management Board of the Company in respect of the right to indexation and calculation of amounts due to the Group is supported by opinions of external advisors and emerging judicial case law (for the benefit of companies – contractors of construction services) relating to agreements of other entities in which similar provisions are made in the field of indexation, as in the Group's agreements.

It should be pointed out that, in the absence of uniform market standards for the calculation of the amount of indexation, the calculation of the indexed remuneration is subject to risks and uncertainties. As at June 30, 2022 the Company has made a correction regarding the accrued valorization value in the budgets of specific contracts. The impact of the above-mentioned decision of the Management Board on the gross result on sales was negative and amounted to PLN 37.6 million.

#### **Assumptions concerning the completion of two contracts after the finalization of design stage**

The Company assumes the possible scenarios for two railway contracts concerning the feasibility and profitability of these contracts and the risks associated with the calculation of contractual penalties by the Ordering Party in the event of non-performance of contracts or their performance on a different date than that resulting from the concluded agreements. In conjunction with the lack of possibility to complete the works within agreed scope as at June 30, 2022 due to the technical impracticability of the concluded agreements, as at the balance sheet date the Company assumed that the most optimal scenario includes the early termination of contracts by the agreement of the parties and lack of penalties. At the same time the Company does not exclude the scenario of unilateral withdrawal from the contracts. In the opinion of the Management Board of the Company, the calculation of contractual penalties by the Ordering Party could be unfounded, and the Company has taken actions aimed at mitigating such risk, which exists as at the date of approval for the publication of this report. Starting from the financial statements for 2021 and as at June 30, 2022, the budgets of both contracts assume the completion of their implementation after the finalization of the design state. The Company sees the possibility of returning to the full implementation of contracts in the event of the cessation of obstacles preventing their performance. As at the date of approval of this report for publication, the Company is analyzing various scenarios for the implementation of the above-mentioned contracts and their impact on future cash flows.

## 6. Operating expenses

Costs by type	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Depreciation	9 814	10 297
Consumption of materials and energy	111 318	90 360
External services	169 484	164 319
Taxes and charges	1 459	1 850
Payroll	64 233	55 914
Social security and other benefits	14 973	14 074
Other types of costs	4 570	8 067
<b>Total costs by type</b>	<b>375 851</b>	<b>344 881</b>
Change in inventories, products, accruals and provisions	17 124	1 566
The cost of producing products for the entity's own needs (negative value)	(3 092)	(3 854)
Sales, marketing and distribution costs (negative value)	(1 034)	(1 028)
General administrative expenses (negative value)	(16 168)	(14 059)
<b>The cost of manufacturing products sold</b>	<b>372 681</b>	<b>327 506</b>
<b>Value of materials and goods sold</b>	<b>4 492</b>	<b>417</b>
<b>Cost of goods sold</b>	<b>377 173</b>	<b>327 923</b>

## 7. Other operating revenues

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Profit on sale of non-financial non-current assets	882	1 011
Revenue from updating leasing schedules	480	-
Revenue from recognition of output VAT on the use of company cars for private purposes	310	205
Inventory surpluses	-	151
Received penalties and fines	16	645
Redeemed liabilities	1	11
Revenue from patents and licenses	-	21
Other	300	736
<b>Total</b>	<b>1 989</b>	<b>2 780</b>

## 8. Other operating costs

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Paid fines, compensation	5 121	183
VAT not deductible	559	-
Value of liquidated non-financial assets	-	580
Paid costs of litigation	182	208
Write-off of receivables	8	-
Other	449	28
<b>Total</b>	<b>6 319</b>	<b>999</b>



In the item "Penalties, fines, damages paid", the Company recognised costs resulting from settlements concluded on 28 June 2022 with PKP PLK concerning the Company's claims against PKP PLK resulting from court proceedings and PKP PLK's claims against the Company resulting from the development of foundation piles (which the Company reported in current report no. 45/2022) in the amount of PLN 5,078,000.00. The total impact of the concluded settlements on the Company's financial result was negative and amounted to PLN 618,000.00.

## 9. Financial revenue

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Financial revenues from interest, including:	406	788
- bank interest	16	13
- loan interest	320	291
- receivables	70	484
Income from received dividends	7 395	2 608
Revenue from overpaid PCC tax on loan agreements	1 052	-
Release of provision for interest on liabilities	20	2 311
Profit from exchange rate differences	472	206
Other	146	10
<b>Total</b>	<b>9 491</b>	<b>5 923</b>

## 10. Financial costs

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Financial costs on account of interest, including:	17 052	7 804
- interest on loans and borrowings	11 752	4 751
- on liabilities	3 197	735
- on bonds	1 074	740
- on leasing	1 008	1 551
- on liability from employee benefits	21	27
Write-off of investment value in subsidiaries	94 195	-
Write-down of the value of granted loans	5 639	-
Financial commission costs	2 071	2 500
Revaluation write-offs on bonds	33	33
PCC tax from loans agreements	5	250
Other financial costs	67	6
<b>Total</b>	<b>119 062</b>	<b>10 593</b>

Detailed information regarding the impairment of the investments in subsidiaries was presented in Note 13 herein, and the information regarding the update in the amount of loans granted – in Note 15 herein.

## 11. Earnings (loss) per share

Earnings per share for each period are calculated by dividing a net profit for a given period by the weighted average number of shares outstanding in the reporting period concerned. Diluted earnings per share for each period are calculated by dividing a net profit or loss for a given period by the total of the weighted average number of ordinary shares outstanding during the reporting period concerned and all the potential dilutive shares.

To calculate diluted net income per share, the values used to calculate base earnings per share have been adjusted to include:

- the impact of interest expense on bonds after income tax;
- the weighted average number of additional ordinary shares that would occur assuming a change in all diluting potential ordinary shares.

Diluted earnings per share results from the emission of bonds convertible to shares, which was detailed in Note 23 hereof.

The 6 months period ended	
30.06.2022	30.06.2021
Unaudited	Unaudited
Net profit (loss) from continued operations	(220 193) (26 409)
Net profit (loss) for financial year	(220 193) (26 409)
Net profit applied to calculate diluted earnings per share	(219 323) (25 808)
Number of issued shares (pcs)	86 450 976 86 450 976
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	86 450 976 86 450 976
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	102 730 086 102 730 086

The 6 months period ended	
30.06.2022	30.06.2021
Unaudited	Unaudited
<b>Profit (loss) per 1 share (in PLN/share):</b>	
- basic	(2,55) (0,31)
- diluted	(2,13) (0,25)

The 6 months period ended	
30.06.2022	30.06.2021
Unaudited	Unaudited
<b>Profit (loss) from continued operations per 1 share (in PLN/share):</b>	
- basic	(2,55) (0,31)
- diluted	(2,13) (0,25)

## 12. Fixed assets and intangible assets

Between January 1, 2022 and June 30, 2022 the Company acquired the fixed assets and intangible assets in the amount of PLN 8,830 thousand (in the comparable period: PLN 4,454 thousand).

### Ownership structure of fixed assets

As at 30.06.2022 Unaudited	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Own	42 473	14 173	10 733	975	2 245	70 599
Used on the basis of a rental, lease, or other contract, including leasing	10 315	24 304	30 426	-	-	65 045
<b>Net book value</b>	<b>52 788</b>	<b>38 477</b>	<b>41 159</b>	<b>975</b>	<b>2 245</b>	<b>135 644</b>

As at 31.12.2021 Audited	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Own	43 196	15 141	12 319	1 150	856	72 662
Used on the basis of a rental, lease, or other contract, including leasing	12 598	25 496	33 116	-	-	71 210
<b>Net book value</b>	<b>55 794</b>	<b>40 637</b>	<b>45 435</b>	<b>1 150</b>	<b>856</b>	<b>143 872</b>

Below are presented changes in the state of fixed assets used under the lease and other agreement, including the leasing agreement and the right of perpetual usufruct:

	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<b>As at 1.01.2022</b>	<b>12 598</b>	<b>25 496</b>	<b>33 116</b>	-	-	<b>71 210</b>
Depreciation	(2 283)	(1 192)	(2 342)	-	-	(5 817)
Assets under new leases	-	-	5 763	-	-	5 763
Other increases / decreases	-	-	(6 111)	-	-	(6 111)
<b>As at 30.06.2022</b>	<b>10 315</b>	<b>24 304</b>	<b>30 426</b>	-	-	<b>65 045</b>

### 13. Investments in subsidiaries

As at 30.06.2022.

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	-	82,35%	82,35%
AB Kauno Tiltai*	Kaunas	construction and installation activities	subsidiary/full method	19.04.2011	364 109	151 429	96,84%	96,84%
PEUiM sp. z o.o.	Białystok	construction and installation activities	subsidiary/full method	19.04.2011	29 466	14 215	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	11 343	100,00%	100,00%
<b>Total</b>					<b>436 241</b>	<b>194 745</b>		

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%
AB Kauno Tiltai*	Kaunas	construction and installation activities	subsidiary/full method	19.04.2011	364 109	240 506	96,84%	96,84%
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%
<b>Total</b>					<b>436 241</b>	<b>311 308</b>		

\*) The Company 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

As at June 30, 2022 the premises for an impairment in the investments in subsidiaries were recognized.

- in the first half of 2022 there was a significant rise in interest rates;
- due to the start of conflict in Ukraine as at June 30, 2022 compared to December 31, 2021, the risk-free rate and equity risk premium in Poland and Lithuania have risen.

The above mentioned elements have an impact on discount rate used to calculate value in use for subsidiaries. The rise of these elements have a negative impact on recoverable amount of the investment in subsidiaries.

Moreover, due to the start of conflict in Ukraine, the risks have been identified (including the rise in price of the materials and operating costs) which were disclosed in current report no. 14/2022, that could make an adverse changes, that are mentioned in IAS 36 par. 12b, i.e. changes of technological, market, economic or legal nature.

Due to the identification of the above-mentioned premises as at June 30, 2022 the impairment investment tests were performed.

Basic assumptions for the impairment investment in subsidiaries tests purposes:

<b>As at 30.06.2022</b>	<b>PRK7 Nieruchomości sp. z o.o.</b>	<b>PEUiM sp. z o.o.</b>	<b>AB Kauno Tiltai</b>	<b>BTW sp. z o.o.</b>
WACC before taxation	15,7%	15,7%	9,5%	15,7%
WACC after taxation	12,7%	12,7%	8,0%	12,7%
EBITDA margin	0,4% - 5,3%	2,2% - 7,6%	3,5% - 5,9%	14,4% - 17,6%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

<b>As at 31.12.2021</b>	<b>PRK7 Nieruchomości sp. z o.o.</b>	<b>PEUiM sp. z o.o.</b>	<b>AB Kauno Tiltai</b>	<b>BTW sp. z o.o.</b>
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 June 30, 2022 as a result of the impairment tests in the following investments in subsidiaries, the impairment was recognized:

- AB Kauno Tiltai – in the amount of PLN 66 709 thousand;
- BTW – in the amount of PLN 10 835 thousand;
- PEUiM – in the amount of PLN 3 248 thousand;
- Torprojekt – in the amount of PLN 1 400 thousand.

The factor that had the greatest impact on the value of the write-downs made as at 30 June 2022 is the increase in the discount rate, i.e. the weighted average cost of capital (WACC) ratio. This increase is due to external factors, i.e. an increase in market interest rates, an increase in the risk-free rate and an increase in the total equity risk premium for Poland and Lithuania. The approach to calculating the beta coefficient for the comparator group was changed, where from the arithmetic mean the change was made to the median, which had a positive impact on the estimated usable value of investments in subsidiaries, and the largest impact concerned the investment in AB Kauno Tiltai in the amount of approximately PLN 40 million. Due to the size of the comparator group, the Company believes that the median better reflects the level of the group beta ratio.

In addition, an impairment test performed as at 31 March 2022 identified an impairment of the investment in PEUiM in the amount of PLN 12,003,000.00. An impairment loss in this amount was recognised in finance costs in Q1 2022.

The total amount of impairment losses on investments in subsidiaries made in the first half of 2022 amounted to PLN 94,195,000.00 and was presented in the income statement for the first half of 2022 in financial expenses. Other investments in shares of Trakcja Group companies were shown at unchanged values compared to the values recognised in the Company's balance sheet as at 31 December 2021.

#### Investment impairment tests sensitivity analysis

The sensitivity analysis carried out indicates that significant factors affecting the estimates of the value of investments include profitability of construction contracts in progress and the discount rate used.

Below is presented an analysis of the sensitivity of the recoverable amount main investments to changes in individual indicators used in the impairment test, using the after-tax discount rate.

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%	526	(526)
WACC	+/- 0,25 p.p.	(461)	481

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 would not result in an impairment loss in PRK 7 Nieruchomości being recognized.

Sensitivity analysis for the investment in PEUiM:

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	679	(679)
WACC	+/- 0,25 p.p.	(288)	300

For the above-mentioned investment the impairment as at June 30, 2022 was recognized, and as a result any additional change in the parameters could influence the change in recognized impairment.

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%	12 243	(12 243)
WACC	+/- 0,25 p.p.	(10 322)	11 227

For the above-mentioned investment the impairment as at June 30, 2022 was recognized, and as a result any additional change in the parameters could influence the change in recognized impairment.

Sensitivity analysis for the investment in BTW:

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	811	(811)
WACC	+/- 0,25 p.p.	(308)	322



For the above-mentioned investment the impairment as at June 30, 2022 was recognized, and as a result any additional change in the parameters could influence the change in recognized impairment.

The impairment tests were performed as at the balance sheet date, to the best of the knowledge at their performance. A factor of a system nature, which in future may affect the measurement of all the assets, in particular, the financial assets (in the separate financial statements) and the goodwill (in the consolidated financial statements) is the COVID-19 pandemic. As at the preparation hereof, a comprehensive assessment of the effects of the pandemic on the test results is not possible for objective reasons. When the potential Company-specific effects are assessed, the following factors (including the indication of their effect) may in the following reporting periods have an effect on the test results:

- Reduction in the costs of financial debt due to the fall in interest rates (+);
- Increase in the risk factors (the country risk premium) for cash generating units on both the Polish and the Lithuanian markets (-);
- Potential decrease in the labour expenses and increase in the availability of human resources (+);
- Improvement in the competitive position in relation to other contractors due to insignificant share of foreigners in the employment structure (+);
- Potential interruptions in the continuity of the contract performance due to the prolonged processing of administrative decisions (-);
- Changes in prices for key materials, including: 1) potential decrease in prices for oil derivatives (e.g. asphalt) (+), 2) potential increase in prices for materials related to disruptions in the supply chain (-);
- Stimulation of the Polish and Lithuanian economies through the state infrastructural investment programmes (+);
- weakening of the PLN against the EUR and USD and potential volatility of exchange rates (+ -);
- potential increase in the risk of payment backlogs and even insolvency of consortium members and subcontractors (-).

Considering the amount of variables and the uncertainty of the ongoing market changes due to the COVID-19 and the conflict in Ukraine, the results of impairment tests could be influenced by the fluctuations exceeding the levels of reasonable change in key assumptions as at the date of approval for publication of financial statements.

## 14. Investment properties

The Company recognises investment properties at fair value. Fair value of the Company's investment properties as at December 31, was estimated based on the valuation carried out by an independent expert with suitable professional qualifications in evaluating properties. During the year, for the next balance sheet dates, i.e. 31 March, 30 June and 30 September, the Company analyzes the premises regarding the possibility of changing the fair value.

The last valuation of investment properties was carried out as at December 31, 2021. As at June 30, 2022 the Company have not recognized the premises for significant change in the amount of investment properties.

The investment properties as at June 30, 2022 amounted to PLN 25,416 thousand and were lower compared to the amount as at December 2021 by PLN 40 thousand that was a result of the depreciation of the investment properties under the right of perpetual usufruct of land.

## 15. Other financial assets

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Assets valued at amortized cost</b>		
Guarantees deposits	13 121	11 582
Loans granted and receivables	3 968	8 792
<b>Total</b>	<b>17 089</b>	<b>20 374</b>
including:		
- recognised as non-current assets	12 878	17 041
- recognised as current assets	4 211	3 333
	<b>30.06.2022 Unaudited</b>	<b>31.12.2021 Audited</b>
<b>Granted loans and own receivables at gross value</b>	<b>9 607</b>	<b>8 792</b>
Write-down of the value of granted loans	5 639	-
<b>Granted loans and own receivables at net value</b>	<b>3 968</b>	<b>8 792</b>

Change in the impairment loss on loans granted

	Year ended	
	30.06.2022 Unaudited	31.12.2021 Audited
<b>As at start of period</b>	-	-
<b>Increases</b>	<b>5 639</b>	-
Establishment	5 639	-
<b>As at end of period</b>	<b>5 639</b>	-

After the balance sheet date, the Company decided to recognise an impairment loss on loans granted to Torprojekt the subsidiary in the amount of PLN 7,646,000.00, of which the effect on the financial result for the first half of 2022 was PLN 5,639,000.00.

## 16. Settlements under contracts with customers

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Contracts with customers assets</b>	<b>92 437</b>	<b>153 433</b>
Surplus of revenues resulting from degree of advancement over invoiced revenues	89 867	143 980
Advances paid towards contracts being performed	2 570	9 453
<b>Liabilities from contracts with customers</b>	<b>82 709</b>	<b>77 207</b>
Surplus of invoiced revenues over revenues resulting from degree of advancement	70 566	62 149
Advances received towards contracts being performed	12 143	15 058

### Contracts with customers assets

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Opening balance</b>	<b>153 433</b>	<b>137 101</b>
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	20 223	80 315
(-) Invoicing	(81 219)	(63 983)
<b>Closing balance</b>	<b>92 437</b>	<b>153 433</b>

#### Liabilities from contracts with customers

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Opening balance</b>	<b>77 207</b>	<b>111 097</b>
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	82 709	110 884
(-) Revenues recognized in the period included in balance of liabilities at the beginning of the period	(77 207)	(144 774)
<b>Closing balance</b>	<b>82 709</b>	<b>77 207</b>

Advances received towards contracts being performed were included in short-term liabilities and will be settled during the performance of the contract within the Company's standard operating cycle.

#### Advances paid towards contracts being performed

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Opening balance</b>	<b>9 453</b>	<b>5 732</b>
Increases: transfer of advances	988	27 977
Reductions: settlement of advances in the period	(7 871)	(24 256)
<b>Closing balance</b>	<b>2 570</b>	<b>9 453</b>

#### Advances received towards contracts being performed

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Opening balance</b>	<b>15 058</b>	<b>52 187</b>
Increases (+): receipt of advances	12 143	76 618
Reductions (-): settlement of advances in the period	(15 058)	(113 747)
<b>Closing balance</b>	<b>12 143</b>	<b>15 058</b>

After the balance sheet date, i.e. on September 6, 2022 the Company received the advance towards the contract "Reconstruction of railway line No. 7 – Warszawa Wschodnia – Wawer" with the gross value of PLN 51,950 thousand.

## 17. Inventory

	30.06.2022 Unaudited	31.12.2021 Audited
Materials	65 996	48 816
Semi-finished goods and products in progress	7 422	3 007
Finished goods	592	398
Merchandise	10	107
<b>Total, gross inventory</b>	<b>74 020</b>	<b>52 328</b>
<b>Inventory revaluation write-offs</b>	<b>(430)</b>	<b>(152)</b>
Materials	65 593	48 691
Semi-finished goods and products in progress	7 422	3 007
Finished goods	565	371
Merchandise	10	107
<b>Total, net inventory</b>	<b>73 590</b>	<b>52 176</b>

## 18. Trade and other receivables

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Gross trade receivables, before discounting</b>	320 011	294 417
<b>Total, gross trade receivables</b>	<b>320 011</b>	<b>294 417</b>
including:		
- receivables from related entities	4 135	16 567
Budgeted receivables	1 842	2 186
Receivables claimed in court	20 007	20 643
Other receivables from third parties	35 118	32 089
Amounts held	5 533	2 665
<b>Total, gross trade and other receivables</b>	<b>382 511</b>	<b>352 000</b>
Expected credit loss	(134 072)	(121 375)
<b>Total</b>	<b>248 439</b>	<b>230 625</b>

## 19. Cash and cash equivalents

	30.06.2022 Unaudited	31.12.2021 Audited
Cash at bank	5 164	11 196
Other cash - deposits	-	5 422
<b>Total</b>	<b>5 164</b>	<b>16 618</b>
- with limited access	2 215	8 344

As at June 30, 2022 restricted cash in the amount of PLN 2,215 thousand constitute funds of the Company in bank accounts:

- resulting from the collateral of the advance repayment guarantee in the amount of PLN 2,211 thousand;
- representing funds on the cession of loan accounts in the amount of PLN 4 thousand.

As at June 30, 2022 no restricted cash excluded from cash flow statement was recognized.

## 20. Explanation to the cash flow statement

Below are presented explanation to the selected elements of the cash flow statement between the balance change and change presented in cash flow statement:

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
<b>Change in receivables</b>		
<b>Balance sheet change in trade and other receivables</b>	<b>(17 814)</b>	<b>45 111</b>
Adjustment regarding receivables from the sale of fixed assets included in investing activities	-	(51 251)
Adjustment for changes in dividend receivables from subsidiaries recognised in investment activities	(14 929)	-
Other exclusions of cashless transactions	(278)	-
<b>Change in the cash flow statement</b>	<b>(33 021)</b>	<b>(6 140)</b>

	The 6 months period ended	
	30.06.2022 Unaudited	30.06.2021 Unaudited
Change in liabilities		
Balance sheet change in trade and other liabilities	59 975	(34 358)
Balance sheet change in liabilities due to employee benefits	(458)	(4 671)
Other exclusions of cashless transactions	(1 442)	(99)
Change in the cash flow statement	58 075	(39 128)

## 21. Share capital

As at June 30, 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;
- 12,335,891 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.

### Capital increase in the Company after the balance sheet date

On 22 June 2022, the Company entered into an investment agreement with PKP PLK, pursuant to which PKP PLK has committed itself to subscribe for 250 million series E ordinary registered shares in the Company's increased share capital, at an issue price of PLN 0.80 per series E share, in exchange for a cash contribution of PLN 200,000,000.00. In accordance with the agreement, in the event that PKP PLK concludes the agreement on taking up Series E Shares, PKP PLK has undertaken not to undertake any actions aimed at changing the basic scope of the Company's business activity. For details, see current report No. 37/2022.

On 23 June 2022, the EGM of Trakcja S.A. adopted a resolution on increasing the Company's share capital through the issue of ordinary registered shares of Series E by way of private subscription with the complete exclusion of the pre-emptive rights of existing shareholders, dematerialisation of Series E shares and amendment of the Articles of Association. For details, please refer to current report No. 39/2022.

On 8 July 2022, the Company entered into a share subscription agreement with PKP PLK, pursuant to which the Company made an offer to PKP PLK to subscribe for 250 million Series E ordinary registered shares at an issue price of PLN 0.80 per Series E share, and PKP PLK unconditionally accepted it, as a consequence of which PKP PLK subscribed for the aforementioned Series E shares in exchange for a cash contribution of PLN 200,000,000.00.

On 29 August 2022, the increase of the share capital and the new consolidated text of the Company's Articles of Association were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Business Division of the National Court Register, based on the resolutions of the Extraordinary General Meeting of the Company of 23 June 2022.

As at the date of approval of financial statements for publication, share capital 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;
- 200,000,000 series E 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.

## Bonds convertible into shares

On 6 February 2020, the conditional increase in the Parent Company's share capital was registered by the District Court for the Capital City of Warsaw, 12th Business Division of the National Court Register. Accordingly, the share capital of the Parent was conditionally increased by an amount not greater than PLN 13,023,288.00 through the issue of not more than 16,279,110 series D ordinary bearer shares with a nominal value of PLN 0.80 each. Series D shares may be subscribed for by holders of Series F and Series G convertible bonds issued by the Company on 8 May 2020.

## 22. Interest-bearing loans and borrowings

Long-term interest-bearing loans and borrowings:

	30.06.2022 Unaudited	31.12.2021 Audited
Bank loans	129 098	147 996
- overdraft facility	24 216	15 411
- working capital credit	104 882	132 585
Loans from related entities	112 232	117 263
Financial lease liabilities	34 938	38 616
<b>Total</b>	<b>276 268</b>	<b>303 875</b>

Short-term interest-bearing loans and borrowings:

	30.06.2022 Unaudited	31.12.2021 Audited
Bank loans	74 896	44 939
- overdraft facility	5 045	3 011
- working capital credit	69 851	41 928
Loans from related entities	17 102	11 425
Financial lease liabilities	17 315	21 492
<b>Total</b>	<b>109 313</b>	<b>77 856</b>

<b>Total short and long term loan and credits</b>	<b>385 581</b>	<b>381 731</b>
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Change in interest-bearing loans and borrowings in I half of 2022:

<b>As at 1.01.2022</b>	<b>321 623</b>
<i>Audited</i>	
Receipt of credits and loans	11 838
Repayment of credits and loans	(1 252)
Accrued interest	11 611
Interest paid	(10 798)
Foreign exchanges	306
<b>As at 30.06.2022</b>	<b>333 328</b>
<i>Unaudited</i>	
including	
- long-term	241 330
- short-term	91 998

### New financing agreements:

On 23 June 2022, the Company, together with Financial Institutions and PKP PLK, signed preliminary financing terms associated with the planned recapitalisation of Trakcja by PKP PLK, the so-called "Term Sheet" (which the Company

announced in current report No. 38/2022). According to the Term Sheet, it is envisaged that the terms of the existing financing will be maintained with a perspective until the end of 2023, which include:

- a) credit/loan financing of the Company and its subsidiaries for a total amount of PLN 306,981,000.00;
- b) guarantee lines for a total of PLN 706,568,000.00.

On 12 August 2022, the Company signed annexes to the long-term financing agreements, which implement the provisions of the Term Sheet (as announced by the Company in current report No. 54/2022).

Subsequent to the balance sheet date, the Company repaid in full the capital portion of the loan of PLN 52,746,000.00 obtained from ARP.

During the first half of 2022, WIBOR interest rates, on the basis of which the value of interest liabilities paid to financial institutions is calculated, increased, which resulted in an increase in debt servicing costs in the first half of the year and will have an impact on cost increases in subsequent periods. The Company identifies the risk of further increases in interest rates, a factor which, in the Company's opinion, will affect results in the next six months.

#### **Risk of failing to achieve contractually stipulated values of financial ratios**

In connection with the signing of a number of annexes to long-term financing agreements on 17 June 2021, as referred to in current report No. 20/2021, Trakcja is obliged to comply with financial ratios (hereinafter "Covenants") associated with the current financial situation of the Company and the Group. The signed annexes provided for the first verification of the Company's and the Group's compliance with the Covenants on 31 December 2021 and thereafter on a quarterly basis by the Company and on an annual basis by the Group.

Pursuant to the annexes to the aforementioned agreements concluded on 20 December 2021, of which the Company informed in current report No. 53/2021, the date of the first verification of the fulfilment of the Covenants by the Company and the Group was postponed until 30 June 2022. On 12 August 2022, the Company signed further annexes to the aforementioned financing agreements (of which the Company informed in current report no. 54/2022), implementing the provisions of the Term Sheet signed on 23 June 2022 (information contained in current report no. 38/2022), according to which the date of testing of the Covenants by the Company and the Group was postponed from 30 June 2022 till 30 June 2023.

In addition, as a result of the contract budget update in the Torprojekt sp. z o.o. subsidiary in (of which Trakcja informed on 2 September 2022 in current report 58/2022), the impact of which on the financial result for the first half of 2022 amounted to PLN -24,116,000.00, negative equity of this company was reached as at the balance sheet date of 30 June 2022. When the negative equity of Torprojekt sp. z o.o. was established, an event of default occurred in accordance with the provisions of the financing agreements. Under the financing agreements, not every case of breach constitutes a material case of breach. Under the financing agreements, the negative equity of Torprojekt sp. z o.o. would only become a material event of default if at least three Financiers (including at least: (i) one Insurer and (ii) BGK or ARP) decide that the negative equity of Torprojekt sp. z o.o. is to become a material event of default under the financing agreements. As at the date of approval of this report for publication, the Company has not been informed by the Financiers of a determination that the negative equity of Torprojekt sp. z o.o. constitutes a material event of default. As the current negative equity of Torprojekt sp. z o.o. does not constitute a material case of breach, no Financier can independently decide on the basis of this instance of breach to withhold financing, and termination of financing on this basis would require a decision by the relevant group of Financiers.

Up to the date of approval of this report for publication, the Company has not received any information from the Financiers regarding borrowings that they become due on demand. In addition, during the first half of 2022 and up to the date of approval of this report for publication, the Company:

- concluded settlements with PKP PLK regarding the Company's claims against PKP PLK arising from court proceedings and PKP PLK's claims against the Company arising from the development of foundation piles;
- concluded annexes to long-term financing agreements;
- completed the recapitalisation process and received cash proceeds from the capital increase;
- repaid the loan received from ARP in the amount of PLN 52,746,000.00;



which was the implementation of the terms of the Term Sheet signed on 23 June 2022 between Trakcja, the Financiers and PKP PLK. Therefore, the Company assesses the risk of the financing agreements coming to maturity within 12 months from the balance sheet date of 30 June 2022 as low. The Company plans to apply to the Financiers in the near future for approval that the above indicated negative equity of Torprojekt sp. z o.o. no longer constitutes a case of default.

### Lease liabilities

Lease liabilities structure:

	30.06.2022 Unaudited	31.12.2021 Audited
Long-term	34 938	38 616
Short-term	17 315	21 492
<b>Total</b>	<b>52 253</b>	<b>60 108</b>

Future minimum lease payments under these agreements and the present value of the minimum net lease payments:

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Nominal value of minimum leasing fees</b>		
Within 0 to 90 days	3 545	4 555
Within 90 to 360 days	15 849	19 382
Within 1 to 5 years	27 969	31 213
Over 5 years	29 812	31 462
<b>Total financial lease liabilities - total minimum leasing fees</b>	<b>77 175</b>	<b>86 612</b>
<b>Financial costs on account of financial lease</b>	<b>(24 922)</b>	<b>(26 504)</b>
<b>Present value of minimum leasing fees</b>		
Within 0 to 90 days	2 922	3 817
Within 90 to 360 days	14 393	17 675
Within 1 to 5 years	24 441	26 744
Over 5 years	10 497	11 872
<b>Total present value of minimum leasing fees</b>	<b>52 253</b>	<b>60 108</b>

Costs regarding leasing agreements:

	1.01.2022 - 30.06.2022 Unaudited	1.01.2021 - 30.06.2021 Unaudited
Depreciation	5 817	6 070
Interest	1 008	1 551
<b>Total leasing costs</b>	<b>6 825</b>	<b>7 621</b>

Cash-flows concerning leasing agreements in the period between January 1, 2022 and June 30, 2022 were negative and amounted to PLN -6,148 thousand.

## 23. Bonds

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

- allocating all 11,764,705 Series F secured registered bonds convertible into Series D shares of the Company with the nominal value of PLN 1.70 each, with the total nominal value of PLN 19,999,998.50 and the issue price equal to the nominal value ("Series F Bonds") to ARP, and

- allocating all 4,514,405 Series G unsecured registered bonds convertible into Series D shares of the Company with the nominal value of PLN 1.70 each, with the total nominal value of PLN 7,674,488.50 and the issue price equal to the nominal value ("Series G Bonds") to COMSA S.A.U ("COMSA").

The Series F Bonds and the Series G Bonds were issued at the issue price equal to their nominal value. The Series F Bonds are secured by the securities specified in the Series F Bonds Issue Terms, including, in particular, by a first ranking contractual mortgage on the Company's real estate located in Bieńkowice, established for the benefit of the mortgage administrator. Further, the Company made a declaration on submitting to enforcement proceedings pursuant to Article 777 § 1(5) of the Civil Proceedings Code for the benefit of ARP in respect of the entirety of the Company's assets and for the benefit of the security administrator from the mortgaged real estate. The Series G Bonds are unsecured and are subordinated on a contractual basis pursuant to the Intercreditor Agreement.

The Bonds bear interest at WIBOR 1M plus an agreed margin. The Bonds may be redeemed early in cases stipulated in provisions of law and in circumstances standard for this type of bonds, as specified in the Series F Bonds Issue Terms and the Series G Bonds Issue Terms.

Bond series	Date of issue	Maturity date*	Face value of one bond (PLN)	Face value of the series (kPLN)
F	08.05.2020	31.12.2023	1,7	20 000
G	08.05.2020	01.02.2024	1,7	7 674

#### Bonds structure

	30.06.2022 Unaudited	31.12.2021 Audited
Long-term	28 790	28 451
Short-term	376	196
<b>Total</b>	<b>29 166</b>	<b>28 647</b>

As at the balance sheet date of June 30, 2022 the Company recognized bonds in the balance sheet in amortized cost.

## 24. Trade and other liabilities

	30.06.2022 Unaudited	31.12.2021 Audited
Trade liabilities, before discounting	212 839	152 491
<b>Total, net trade liabilities after discounting</b>	<b>212 839</b>	<b>152 491</b>
including:		
- liabilities from related entities	8 121	6 709
Amounts held	35 931	34 770
Budgetary liabilities	43 619	46 102
Payroll liabilities	7 697	7 803
Other liabilities towards third parties	4 884	3 829
<b>Total trade and other liabilities</b>	<b>304 970</b>	<b>244 995</b>

Trade liabilities and retentions by maturity:

	30.06.2022 Unaudited	31.12.2021 Audited
Trade liabilities before discounting	248 770	187 261
With maturity within 12 months	235 734	172 762
With maturity over 12 months	13 036	14 499
<b>Total, Trade liabilities after discounting</b>	<b>248 770</b>	<b>187 261</b>

## 25. Provisions

<b>As at 1.01.2022</b>	<b>26 785</b>
<i>Audited</i>	
Recognized	35 692
Used	(13 311)
Reversed	(942)
<b>As at 30.06.2022</b>	<b>48 224</b>
<i>Unaudited</i>	
including	
- long-term	3 113
- short-term	45 111

## 26. Fair value of financial instruments

In the first half of 2022, the Company did not change the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values. Fair value measurement and measurement procedures. Some assets and liabilities of the Company are measured at fair value for the purposes of financial reporting. The Company measures the fair value of assets or liabilities, to the extent possible.

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

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

In terms of share in other companies (including subsidiaries), the Company is not able to reliably measure the fair value of these shares due to the fact that they are not listed on the active market. Following the Company's accounting policy, shares are valued based on the purchase price minus the impairment loss. As at June 30, 2022 the impairment tests have been performed, due to the recognized premises that indicated potential impairment of investment in subsidiaries. On the basis of these tests, the Company decided to make a write-downs that were featured in Note 13 herein.

During the first half of 2022 there were no transfers between 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> level of fair value hierarchy.

## 27. Balance sheet items measure at fair value

The Company measures following assets and liabilities at fair value: investment properties and derivative financial instruments. During the I half of 2022 no changes were made regarding the technical part of fair value valuation of the above-mentioned assets and liabilities. Details about the methodology of valuation and unobservable entry data used to valuate were presented in Yearly financial statements of the Company for 2021.

<b>30.06.2022</b>				
	<i>Unaudited</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investment properties:</b>	<b>25 416</b>	-	-	<b>25 416</b>
Office property	25 416	-	-	25 416
- land	22 427	-	-	22 427
- buildings	2 989	-	-	2 989

<b>31.12.2021</b>				
	<i>Unaudited</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investment properties:</b>	<b>25 456</b>	-	-	<b>25 456</b>
Office property	25 456	-	-	25 456
- land	22 467	-	-	22 467
- buildings	2 989	-	-	2 989

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

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

**Level 3** – prices other than prices in active markets.

No property was reallocated between levels 1, 2 and 3 during the financial year.

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

In the first half of 2022 the Company has not changed the classification of financial assets as a result of a change in their purpose or use.

## 29. Change in impairment losses and write-downs

	<b>Inventory</b>	<b>Receivables</b>	<b>Investments in subsidiaries</b>	<b>Financial assets - granted loans</b>	<b>Total</b>
<b>As at 1.01.2022</b>					
<i>Audited</i>	<b>152</b>	<b>121 375</b>	<b>147 301</b>	-	<b>268 828</b>
Recognized	278	20 985	94 195	5 639	121 097
Reversed	-	(8 288)	-	-	(8 288)
<b>As at 30.06.2022</b>					
<i>Unaudited</i>	<b>430</b>	<b>134 072</b>	<b>241 496</b>	<b>5 639</b>	<b>381 637</b>

### 30. Contingent receivables and liabilities and other off-balance sheet items

	30.06.2022 Unaudited	31.12.2021 Audited
<b>Contingent receivables</b>		
<b>From related entities due to:</b>	<b>950 892</b>	<b>950 892</b>
Received guarantees and sureties	950 892	950 892
<b>From other entities due to:</b>	<b>79 546</b>	<b>80 008</b>
Received guarantees and sureties	77 950	78 254
Bills of exchange received as collateral	1 596	1 754
<b>Total contingent receivables</b>	<b>1 030 438</b>	<b>1 030 900</b>
<b>Contingent liabilities</b>		
<b>From related entities due to:</b>	<b>972 853</b>	<b>972 569</b>
Provided guarantees and sureties	950 892	950 892
Promissory notes	21 961	21 677
<b>From other entities due to:</b>	<b>11 042 488</b>	<b>10 864 913</b>
Provided guarantees and sureties	634 712	685 047
Promissory notes	734 907	734 907
Mortgages	5 553 168	5 553 168
Assignment of receivables	1 361 577	976 023
Assignment of rights under insurance policy	2 694	165 998
Security deposits	23 624	17 964
Registered pledges	2 731 806	2 731 806
<b>Total contingent liabilities</b>	<b>12 015 341</b>	<b>11 837 482</b>

\*) As at the June 30, 2022 the Company was in the process of signing new assignment agreements from insurance policies, therefore the value of this item as at the balance sheet date is PLN 2,694 thousand. New assignment agreements from insurance policies were signed on September 7, 2022 for a total amount of PLN 155,371 thousand.

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 from the construction contracts performed (performance bonds, retention bonds and advance payment guarantees). Banks have a right of recourse against the Company's companies. Promissory notes are a different form of collateral for the aforementioned bank guarantees.

	30.06.2022 Unaudited	31.12.2021 Audited
Contingent liabilities due to contracts signed with employees	3 073	2 325

### 31. Related parties transactions

Related parties transactions were performed based on market conditions. Below is presented an information concerning receivables and liabilities from/to related parties at the balance sheet date and at the end of comparable period.

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Financial income due to dividends received	Interest costs	Other financial costs (including fees for structuring commissions)
<b>Shareholders:</b>							
COMSA S.A.U.	1.01.22-30.06.22	-	-	-	-	306	9
	1.01.21-30.06.21	-	-	-	-	275	9
ARP S.A.	1.01.22-30.06.22	-	-	-	-	4 142	24
	1.01.21-30.06.21	-	-	-	-	1 060	653
<b>Subsidiaries:</b>							
PRK 7 Nieruchomości sp. z o.o.	1.01.22-30.06.22	210	1	139	-	201	414
	1.01.21-30.06.21	266	51	84	212	97	-
Torprojekt sp. z o.o.	1.01.22-30.06.22	260	515	227	-	-	66
	1.01.21-30.06.21	298	263	61	-	-	-
AB Kauno Tiltai	1.01.22-30.06.22	190	-	-	7 395	137	-
	1.01.21-30.06.21	245	-	-	-	134	227
PEUIM sp. z o.o.	1.01.22-30.06.22	35	-	3	-	304	133
	1.01.21-30.06.21	37	-	-	2 396	183	-
PDM S.A.	1.01.22-30.06.22	57	714	144	-	119	-
	1.01.21-30.06.21	332	224	74	-	40	-
Dalba sp. z o.o.	1.01.22-30.06.22	5	1 476	67	-	94	-
	1.01.21-30.06.21	6	1 363	32	-	21	-
BTW sp. z o.o.	1.01.22-30.06.22	1 847	3 822	69	-	-	-
	1.01.21-30.06.21	1 949	5 228	42	-	297	-
AB Kauno Tiltai Sverige	1.01.22-30.06.22	-	-	-	-	-	-
	1.01.21-30.06.21	-	-	-	-	117	-
<b>Total</b>	<b>1.01.22-30.06.22</b>	<b>2 604</b>	<b>6 528</b>	<b>649</b>	<b>7 395</b>	<b>5 303</b>	<b>646</b>
	<b>1.01.21-30.06.21</b>	<b>3 133</b>	<b>7 129</b>	<b>293</b>	<b>2 608</b>	<b>2 224</b>	<b>889</b>

Below are presented the total amounts of related parties transactions in the period covered by condensed financial statements and comparable period.

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Liabilities due to bonds	Loans granted	Borrowings received
<b>Shareholders:</b>						
COMSA S.A.U.	30.06.2022	-	89	8 815	-	242
	31.12.2021	-	88	8 500	-	242
ARP S.A.	30.06.2022	-	1	20 351	-	86 923
	31.12.2021	-	16	20 147	-	86 807
<b>Subsidiaries:</b>						
PRK 7 Nieruchomości sp. z o.o.	30.06.2022	152	1 656	-	-	6 995
	31.12.2021	98	1 452	-	6	5 905
TORPROJEKT sp. z o.o.	30.06.2022	2 544	641	-	-	-
	31.12.2021	-	114	-	5 411	-
AB Kauno Tiltai	30.06.2022	551	-	-	-	17 483
	31.12.2021	15 395	-	-	-	17 044
PEUiM sp. z o.o.	30.06.2022	8	133	-	503	7 974
	31.12.2021	5	-	-	-	7 708
PDM S.A.	30.06.2022	153	361	-	2 296	720
	31.12.2021	768	1 663	-	2 239	720
Dalba sp. z o.o.	30.06.2022	5	1 306	-	1 169	939
	31.12.2021	3	343	-	1 136	932
BTW sp. z o.o.	30.06.2022	722	3 934	-	-	8 058
	31.12.2021	298	3 033	-	-	9 330
<b>Total</b>	<b>30.06.2022</b>	<b>4 135</b>	<b>8 121</b>	<b>29 166</b>	<b>3 968</b>	<b>129 334</b>
	<b>31.12.2021</b>	<b>16 567</b>	<b>6 709</b>	<b>28 647</b>	<b>8 792</b>	<b>128 688</b>

Above-mentioned transactions are presented in fair value.

As at 30 June 2022, Trakcja recognised an impairment loss in the full value of the loan granted to the Torprojekt sp. z o.o. subsidiary, i.e. PLN 5,639,000.00. in connection with the deterioration of the financial situation of that company, as reported by the Company in current report no. 63/2022.



## 32. Remuneration of Management Board and Supervisory Board

Total remuneration and other benefits of the members of Management Board and Supervisory Board, that was included in the costs of the Company and its subsidiaries in specific periods:

Remuneration of the Management Board	The 6 months period ended			
	30.06.2022		30.06.2021	
	Unaudited		Unaudited	
	Parent Company	Subsidiaries	Parent Company	Subsidiaries
Salaries and other current employee benefits	3 524	751	2 566	624
Benefits due to termination of employment	1 172	-	-	-
<b>Total</b>	<b>4 696</b>	<b>751</b>	<b>2 566</b>	<b>624</b>

Remuneration of the Supervisory Board of the Parent company	The 6 months period ended			
	30.06.2022		30.06.2021	
	Unaudited		Unaudited	
	Parent Company	Subsidiaries	Parent Company	Subsidiaries
Salaries and other current employee benefits	539	278	570	272
<b>Total</b>	<b>539</b>	<b>278</b>	<b>570</b>	<b>272</b>

The total amount of remuneration of the Management Board of the Company as of 30 June 2022 includes compensation for termination of the employment contract of Mr Marcin Lewandowski (President of the Management Board of Trakcja S.A. until 11 March 2022) in the amount of PLN 1,172,000.00.

## 33. Events after the balance sheet date that were not disclosed in financial statements for the I half of 2022

All of the significant events occurring in I half of 2022 and after the balance sheet date were disclosed in financial statements for the period of 6 months ended June 30, 2022.

Significant events after the balance sheet were presented in selected notes herein and in the Note 45 to condensed consolidated financial statements of Trakcja Group for the period of 6 months ended June 30, 2022.

*Warsaw, September 30, 2022*

*Management Board:*

Jakub Lechowicz	Piotr Mechecki	Bartłomiej Cygan
President of the Management Board	Vice-President of the Management Board	Member of the Management Board

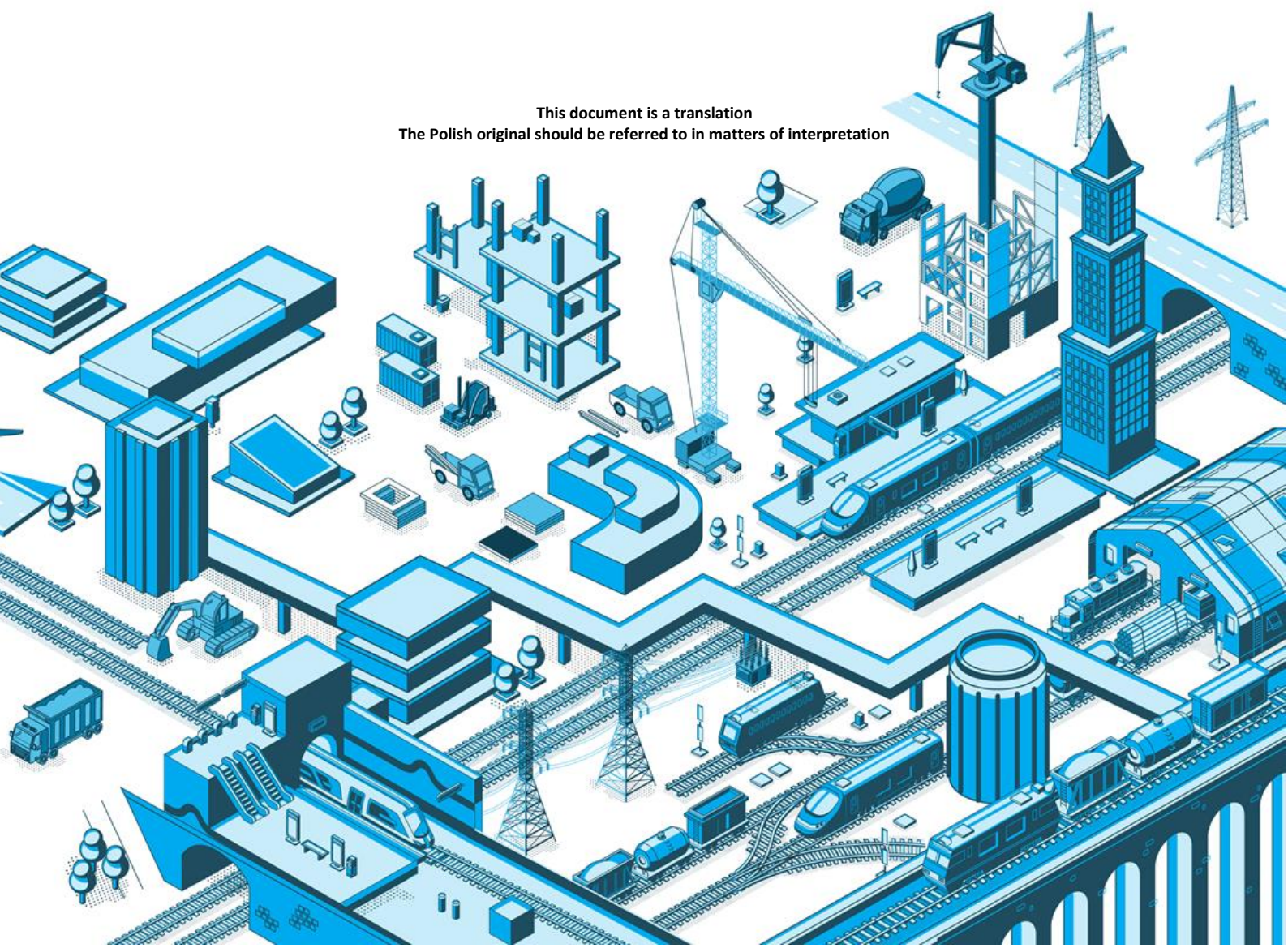
*Person in charge of keeping the accounting books:*

Elżbieta Okuła  
Chief Accountant

MANAGEMENT REPORT  
ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP  
AND TRAKCJA S.A.  
FOR THE 6-MONTH PERIOD ENDED **JUNE 30, 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 (Journal of Laws of 2018, item 757).*

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



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Figures provided in this Report on the Activities of the Group for the 6-month period ended June 30, 2022 are presented in thousand Polish zloty, unless explicitly stated otherwise. Financial information herein is prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union. This Report on the Activities of the Group does not cover all information or disclosures required in the annual report on the activities and it should be read together with the Group's consolidated financial statements for the year ended December 31, 2021. We would also like to emphasise forward-looking statements (e.g. may, will, expect, consider, estimate), because they are based on certain assumptions subject to risk and uncertainty. Therefore, the Group is not responsible for such information.

## 1. ACTIVITY OF TRAKCJA GROUP

### 1.1 General information on the Group

Trakcja Group ("Group") consists of Parent Company Trakcja S.A. („Trakcja”, „Parent Company”, „Company”, „Parent Entity”, „Issuer”) and its subsidiaries.

Trakcja S.A. 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 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 PRKil S.A.
<b>29.07.2020 - now</b>	<b>Trakcja S.A.</b>

Trakcja Group is one of the leading entities on both Polish and Lithuanian railway and road construction market.

### Change after the balance sheet date of the Parent Company with control over the Trakcja Group

As at 30 June 2022, Trakcja Group did not identify a higher-level parent company. Until 1 January 2022, Trakcja Group identified COMSA S.A.U. as the ultimate controlling parent Company due to the power to appoint and dismiss members of the Company's Management Board (based on provisions of the Company's Articles of Association), which expired on 1 January 2022. As at 30 June 2022, COMSA S.A.U. had significant influence over the activities of the Trakcja Group. As of 29 August 2022, in connection with the registration by the District Court for the Capital City of Warsaw in Warsaw, 12th Business Division of the National Court Register of the increase in the Company's share capital described in



Note 21 of this report, PKP Polskie Linie Kolejowe S.A. ("PKP PLK") became the parent company with control over the Trakcja Group.

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 GSM
PKP PLK S.A.	250 000 000	74,31%	250 000 000	74,31%
COMSA S.A.U.	28 399 145	8,44%	28 399 145	8,44%
Agencja Rozwoju Przemysłu S.A.	16 117 647	4,79%	16 117 647	4,79%
Other	41 934 184	12,46%	41 934 184	12,46%
<b>Total</b>	<b>336 450 976</b>	<b>100,00%</b>	<b>336 450 976</b>	<b>100,00%</b>

PKP PLK is the manager of the Polish national railway network. An important element of PKP PLK's activities is the implementation of investment tasks involving the modernisation of railway infrastructure, largely co-financed with public and EU funds. In addition, PKP PLK carries out a wide range of maintenance and replacement works aimed at increasing the safety of train traffic, in which it engages mainly budget subsidy funds and funds from the Railway Fund. The PKP PLK Group is Trakcja's main customer. Detailed information is provided in note 3.1 of this report.

Furthermore, on 28 September 2022, the shareholders of the Company - ARP and PKP PLK - acting in concert announced a tender offer for the sale of shares in Trakcja S.A. ("Tender Offer"). The subject of the Tender Offer is 70,333,329 ordinary bearer shares with a nominal value of PLN 0.80, representing approximately 20.90 per cent of the total number of shares in the Company's share capital. The Tender Offer will be conducted in two phases and will end on 8 November 2022.

As at June 30, 2022, the Group consists of the Parent Company Trakcja and its subsidiaries. Fully-consolidated entities in the condensed consolidated financial statements of Trakcja Group in the first half-year 2022:

- BTW sp. z o.o. - a subsidiary based in Wrocław, Trakcja owns of 100% of the share capital of this company,
- PRK 7 Nieruchomości sp. z o.o. - a subsidiary based in Warsaw, Trakcja owns of 100% of the share capital of this company,
- Torprojekt sp. z o.o. - a subsidiary with its registered office in Warsaw, Trakcja owns 82.35% of the share capital of this company,
- Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o. ("PEUiM") - a subsidiary with its registered office in Białystok, Trakcja owns 99.7% of the share capital of this company,
- Dalba sp. z o.o. - a subsidiary with its seat in Białystok, Trakcja owns 100% of the share capital of this company,
- PDM S.A. - a subsidiary based in Białystok, Trakcja owns 94.62% of the share capital of this company,
- Branch of Trakcja S.A. in Ukraine,
- Trakcja Ukraina sp. z o.o. - a subsidiary with its seat in Kiev, PDM S.A. owns of 100% of the share capital of Trakcja Ukraina sp. z o.o. On December 30, 2022 the Management Board of PDM S.A. decided to allocate shares in subsidiary Trakcja Ukraina sp. z o.o. for immediate sale, hence the Group classified all assets and liabilities of this subsidiary as assets held for sale.
- AB Kauno Tiltai - AB Kauno Tiltai with its seat in Kaunas is a subsidiary of the parent company Trakcja, and at the same time the parent entity of the AB Kauno Tiltai Group.

The AB Kauno Tiltai Group consists of the following entities:

- UAB Kelda - a subsidiary, company based in Vievis (Lithuania), a subsidiary of the company is:
- UAB Verkšionių karjeras - a subsidiary, company based in Bagotelių K (Lithuania),

- TUB Konsorciumas Tiltra – a subsidiary, company based in Kaunas (Lithuania),
- AB Kauno Tiltai branch in Poland - a branch of the AB Kauno Tiltai company with its seat in Białystok (Poland),
- AB Kauno Tiltai branch in Latvia - a branch of AB Kauno Tiltai with its seat in Rzekne (Latvia),
- AB Kauno Tiltai branch in Ukraine - a branch of AB Kauno Tiltai based in Kiev (Ukraine),
- AB Kauno Tiltai branch in Sweden - a branch of AB Kauno Tiltai based in Norsborg (Sweden),
- AB Kauno Tiltai Sverige - a subsidiary, company based in Malmo (Sweden),
- AB Kauno Tiltai TUB konsorciumas Tiltra - branch in Poland,
- UAB "Transporto infrastruktūra" - a subsidiary, company based in Vilnius (Lithuania).

The Group's activities focus on the comprehensive performance of works relating to a widely understood rail and road infrastructure with the use of modern machinery. The Group specialises in providing engineering and construction services in the following scope: design, construction and modernisation of rail and tram lines, rail and tram electrification system and power lines, as well as the construction of bridges, viaducts, piers, overpasses, tunnels, underpasses, retaining walls, roads and associated elements of rail and road infrastructure. In addition, Trakcja Group may perform general construction works, including the preparation of construction sites and the construction and modernisation of structures, as well as structural works and finishing works. The key part of the Group's activities consists in the construction of buildings both for rail infrastructure purposes (traction substation buildings, switch towers, railway crossing cabins, railway stations, train buildings and other) and for general purposes (residential and commercial) and environmental engineering. The services provided also include the development of power systems and remote control systems. For over seventy years, the Group members have been implementing complete power installations of medium and lately high voltage, both in new and in modernised and renovated rail power facilities.

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

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

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

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

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

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



## **1.2 Changes within Group structure and their consequences**

In the first half of 2022 there were no changes in the structure of the Trakcja Group including as a result of the merger of units, obtaining or loss of control over subsidiaries and long-term investments, as well as a result of division, restructuring or cessation of business.

### **Trakcja Ukraina sp. z o.o. subsidiary**

In connection with military conflict in Ukraine, risks in the scope of activities of the subsidiary Trakcja Ukraina sp. z o.o. with registered office in Kiev were identified, regarding the possibility of the following events occurring:

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

As at the date of publication of this report, the Group has no information concerning the possible realization of any of the above risks. None of the above-mentioned events, in the event of its occurrence, will have a significant impact on the financial statements of both the Company and Trakcja Group.

### **Torprojekt sp. z o.o. subsidiary**

In the first half of 2022, the subsidiary company, Torprojekt sp. z o.o. ("Torprojekt") updated the budget of the contract performed in connection with the agreement concluded on 10 January 2018 for "Performance of design documentation and author's supervision for the implementation of the reconstruction of the cross-city line in Warsaw under the OPI&E 5.1-13 project entitled "Works on the cross-city line in Warsaw on the section Warsaw East - Warsaw West", as well as annexes and an agreement for a similar contract to the basic contract concluded on 8 April 2021, by Torprojekt sp. z o.o., as the Leader of the Consortium composed of:

- Torprojekt sp. z o.o. - Leader of the Consortium
- Kuryłowicz & Associates sp. z o.o. - Consortium Partner

with PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw

(of which the Company informed in current report No. 58/2022).

The impact of the aforementioned contract budget update on the gross result of Torprojekt and the Group was negative and amounted to PLN 24,116,000.00. The main factors that had the most negative impact on the contract budget update amount were the correction of the earlier underestimation of subcontractor costs, wages and indirect costs. Following the above budget update, Torprojekt's equity as at 30 June 2022 was negative and amounted to PLN -19,236,000.00. Due to the deterioration of the financial situation of the Torprojekt subsidiary, the Company's Management Board, at the time of approving this report for publication, is in the process of analysing various scenarios concerning this company, taking into account market factors, business factors and the creation of added value for shareholders. The most probable one seems to be the one stipulating the recapitalisation of Torprojekt in an amount ensuring its positive capitals, i.e. not less than PLN 20 million, which will take into account the conversion into capital of granted loans and a cash contribution, which will enable the continued operation of this subsidiary.

At the date of approval for publication of this report, the Company has not made any final decisions. These abridged consolidated financial statements have been prepared on the assumption that the subsidiary Torprojekt will continue as a going concern.

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

Moreover, during first half of 2022 the Parent Company was in the process of reviewing strategic options. The Management Board was 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 was 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, the process of

recapitalization of Trakcja S.A. has been completed (which was informed in current report No. 37/2022 and 56/2022), which also led to the end of strategic options review.

### 1.3 Scope of the products and services

Scope of the Group's activities has not changed in comparison with the one presented in Note 1.3 to the Director's Report on operations of Trakcja Capital Group and Trakcja S.A. in 2021.

### 1.4 Significant construction contracts

During the first half of 2022 Trakcja Group signed construction contracts in the total amount of PLN 275 million net (excluding the portion of revenue attributable to consortium member), which led to the decrease in their value by 25% compared to the corresponding period in 2021. The Group's order backlog stood at PLN 2,098 million net (excluding the portion of revenue attributable to consortium member), which led to the decrease in the value of Group's order backlog by 12% compared to the end of June, 2021. Bearing in mind its own executive potential, the Group pursues a balanced policy of obtaining contracts, which confirms the size of the order backlog. The above data does not include the most advantageous offers awaiting the signing.

#### In the first half of 2022, the Group signed the following significant contracts:

- a) on 5 January 2022, Trakcja S.A. signed a contract for the "Extension of the road and track system in the course of ul. Ogrodowa – ul. Północna along the section from ul. Zachodnia to ul. Franciszkańska together with the reconstruction of the tramway loop in Północna Street", details were provided in current report no. 1/2022 (contract value: PLN 37.0 million net);
- b) on 10 February 2022, an agreement was signed bilaterally by the Parent Company's subsidiary AB Kauno Tiltai and LITGRID AB for the "Reconstruction project and civil works of 330/110/10 kV Jonava substation", details were provided in current report No. 9/2022 (contract value: EUR 19.9 million net, i.e. PLN 89.5 million net);
- c) on 14 March 2022, Trakcja S.A. signed a contract for the "Redevelopment of Plac Wolności with technical infrastructure, relocation and maintenance of the sprinkler, small architecture and planting, as well as construction of the canopy of the entrance to the "Dętka" Canal Museum - Branch of the Museum of the City of Łódź" - Branch of the Museum of the City of Łódź", details of which were provided in current report No. 13/2022 (total contract value: PLN 28.8 million net, including: contract value of PLN 27.2 million and contingent amount of PLN 1.6 million).

#### After the balance sheet date, the Group signed the following significant contracts:

- a) on 12 September 2022, the subsidiary AB Kauno Tiltai signed an agreement with LITGRID AB and AB "Ignitis gamyba" for the "Reconstruction project and construction works for the 330/110/10 kV Kruonis high voltage switchgear" details were provided in current report No. 64/2022 (contract value: EUR 51.9 million net, i.e. PLN 244.5 million net).

#### Framework agreement with CPK

After the balance sheet date, as part of the pre-qualification transition, Trakcja (in consortium with P.H.U.B. Piotr Pawlica) concluded a framework agreement for preparatory work on the construction of the Central Communication Port. The next stage will be tender proceedings, to which only companies that have passed the pre-qualification will be invited to submit bids.

#### Key contracts performed in the I half of 2022

The Trakcja Group primarily performs railway and road contracts on Polish and Lithuanian markets. The Group's equipment and human resources allow for large contracts with value between several dozen and several hundred million to be performed.

The largest contracts completed by the Group in the first half-year of 2022 are presented in the table below (the contract amounts specified include the construction works allocated to consortium members):

No.	Name of the contract	Net amount of the contract (mln PLN) *	Type of work
1.	Project and construction of the S61 express road in Szczuczyn-Budzisko (National border) with the division into tasks: Task No. 2: section Elk Południe node - Wysokie node (along with the wyplot along the national road 16)	698	road
2.	Execution of construction works in LCS Łowicz – section: Sochaczew – Żychlin and section: Placencja – Łowicz Główny as part of the task "Works on the E20 railway line on the Warszawa-Poznań section – other works, section: Sochaczew-Swarzędz"	550	railway
3.	Design and execution of construction works on the E20 railway line, section: Siedlce-Terespol within the task "Works on the E20 railway line on the Siedlce - Terespol section, stage III - LCS Terespol"	472	railway
4.	Execution of design and construction works under the project entitled "Revitalization of railway lines No. 694/157/190/191 Bronów - Bieniowiec - Skoczów - Goleszów - Cieszyń / Wisła / Głębce"	421	railway
5.	Partial order A: Design and execution of construction works on the Bronów - Wisła - Głębce section Modernization of the E30/C-E30 railway line on the Kraków – Rzeszów section, stage III (Dębica - Sędziszów Małopolski)	419	railway
6.	Reconstruction of the railway line No. 7 Warszawa Wschodnia - Wawer	401	railway
7.	Designing and execution of construction works as part of the project "Works on railway lines No. 140, 148, 157, 159, 173, 689, 691 on the section Chybie - Żory - Rybnik - Nędza / Turze"	391	railway
8.	Development of detailed designs and execution of works for LCS Warszawa Okęcie as part of the Project POIiŚ 7.1-19.1.a. pn. "Modernization of the railway line No. 8, section Warsaw Okęcie - Radom (LOT A, B, F)"	384	railway
9.	Reconstruction of track systems together with accompanying infrastructure on the E59 railway line, Stargard - Szczecin Dąbie section as part of the project "Works on the E59 railway line on the Poznań Główny - Szczecin Dąbie section"	365	railway
10.	Modernization of the E30/C-E30 railway line on the Kraków – Rzeszów section, stage III; Sędziszów Małopolski – Rzeszów Zachodni section, km 133,600 – 154,900	325	railway
11.	"Reconstruction of track layouts along with accompanying infrastructure on the E59 railway line section Poznań Główny - Rokietnica" as part of the project "Works on the E 59 railway line on the Poznań Główny - Szczecin Dąbie section" (Updated contract value, not including the contingent amount)	289	railway
12.	Implementation of construction works under the Tender No. 1 - Modernization of the Jaworzno Szczakowa - Trzebinia section (km 1,150 - 0.000 line No. 134, km 15,810 - 29,110 lines No. 133) as part of the project "Modernization of the E30 railway line, Zabrze section - Katowice - Kraków, stage IIb "	262	railway
13.	Design and construction of the S-5 expressway on the section from the Szubin junction (with the junction) to the Jaroszewo junction (with the junction) of about 19.3 km in length	246	road
14.	330 kV Darbėnai - Bitėnai overhead line construction work	220	energy
15.	Task A: Preparation of project documentation and execution of the construction works under the project „Revitalization of railway line no. 405, section: voivodeship border – Stupsk-Ustka”, Task B: Design and building of railway traffic control equipment from railway station Szczecinek km 71,480 to km 104,515 within the project „Increase of safety and liquidation of operating dangers at the rail network”	179	railway
16.	Modernization of the E59 railway line on the Wrocław - Poznań section, stage III - section Czempin - Poznań	170	railway
17.	Extension of tram lines in Olsztyn	166	tram
18.	Reconstruction works of Vilnius airport	126	road
19.	Reconstruction of the A1 Vilnius-Kaunas-Klaipeda road 99.29 - 100.47 km	124	road
20.	Reconstruction of the roundabout with the preparation of the works project at the intersection of Baltijos ave, Silutes pl. (including the entrance to Dubysos St.) and Wileńska St.	122	road
21.	Construction of a tram route connecting ul. Fordońska with ul. Toruńska along with the expansion of the road system and reconstruction of the rail transport infrastructure in Bydgoszcz	120	tram
22.	Order regarding the design and execution of construction works - optimization of the energy transmission network in north-eastern Lithuania and its preparation for the operation of a synchronous transmission network in continental Europe (order No. 189494)	116	energy
23.	Preparation of design documentation and construction works related to the construction of the Warszawa Główna station as part of the OPI & E 5.1-13 project: "Works on the cross-city line in Warsaw on the Warszawa Wschodnia - Warszawa Zachodnia section"	104	railway
24.	Installation works of the 2nd stage of the physical barrier in the territory of the Republic of Lithuania at the external border of the European Union	104	other

\*updated contract value

## **1.5 Strategy and directions of the Group's development**

In the first half of 2022, the Group continued its organisational and legal restructuring process in order to achieve synergies and enhance its operational efficiency and financial power. Main goal of the Group's strategic directions is to create an added value for the shareholders.

Trakcja Group pursues the activities to improve performance, guided by the following strategic principles:

- development through organic growth;
- enhancement of effectiveness and efficiency through improved organisation of works, better use of synergies, and incentive schemes;
- intensified use of its own resources during the performance of contracts;
- selective approach to the performance of contracts under consortium agreements.

During the first half of 2022 and up to the publication of the report hereof, the Company continued the execution of the II stage of the Recovery Plan. Initiatives included in the Recovery Plan aim to, among others, obtain financial advantages, improve internal procedures and optimize internal structure. Moreover, due to the applicable financial documentation, the Parent Company provide the credit agent (mBank S.A.) with the Management Board's report on execution of the Recovery Plan at least once a month, which is also verified by the advisor.

Moreover, during first half of 2022 the Parent Company was in the process of reviewing strategic options. The Management Board was 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 was 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, the process of recapitalization of Trakcja S.A. has been completed (which was informed in current report No. 37/2022 and 56/2022), which also led to the end of strategic options review.

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

In addition to activities that contribute to the improvement of future financial performance, the Parent Company's Management Board is primarily focused on the Company's liquidity situation. The Parent Company pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long-term perspective, aiming at maintaining a stable level of available financing. In order to maintain liquidity, the Parent Company undertakes actions aimed at winning contracts which provide for advance payments. In addition, the Parent Company pursues an active policy of maintaining a low level of receivables, managing inventories and selling key materials to the ordering party at the initial stage of a contract. The Parent Company places great emphasis on shortening the period between the completion of works and their invoicing. The Parent Company's activities related to the liquidity situation are described in Note 9 of Additional information to condensed consolidated financial statements for the first half of 2022 as well as in Note 4 to the consolidated financial statements for the first half of 2022.

### **Active participation in tender procedures**

Trakcja Group has been consequently developing competences in various sectors of the infrastructural construction industries with a special focus on the railway industry. The Parent Company continues to actively participate in tender procedures announced on the railway and road markets.

### **Railway market**

According to the National Rail Program ("NRP") adopted by the Council of Ministers on September 15, 2015, and its latest update from April 2022, the program value is PLN 76,7 billion.

The National Railways Programme is implementing the strategy adopted by the Council of Ministers, including the "2020 Country Development Strategy" and the "Transport Development Strategy to 2020, with a perspective up to 2030". The document sets out the scope and sources of funding (including EU funds and national funds). The NRP shall be in force until 2023, that is, until the moment when projects can be funded within the framework of the EU financial

perspective for 2014-2021. In accordance with the Resolution of the Council of Ministers of June 30, 2022, the NRP was prolonged up until 2024. Planned expenditures of the NRP Programme amounts to 32 billion PLN.

In June 2021, PKP PLK has published the following document: „PKP Polskie Linie Kolejowe S.A. – intended investment expenditures for the years 2021 – 2030 with a perspective until 2040”, which presents investments projects until 2040. In accordance with this document, project proposals have been divided by PKP PLK into 4 groups due to differing features of the projects in question:

- a) supra-regional projects;
- b) projects related to CPK (Central Transportation Port) - projects, the range and performance of which is associated with the concept of constructing the Central Transportation Port;
- c) multi-location projects – projects with the purpose of a horizontal approach to problems of the Polish railroad network;
- d) regional projects.

#### **Road market**

On August 9, 2021, a draft of “The Government Program for National Roads Construction to 2030 (with a perspective to 2033)” was announced. It is a follow-up to the National Road Construction Program for 2014-2023 (with a view to 2025) of September 8, 2015. In total, about PLN 292 billion will be devoted to the realization of investments included in the new program, including new tasks worth about PLN 187 billion and continued tasks worth about PLN 105 billion. The project was submitted for public consultation.

The Parent Company – as regards road construction – focuses on soliciting medium-size projects from the voivodeship, county and municipal (larger cities) local governments. The Company, as a part of preparations for soliciting local government projects, has created a regional road office structure at 6 locations in Poland.

#### **Strengthening the position on Polish railway construction-assembly market**

The Management Board of Trakcja is planning to focus on strengthening the position of the Group on Polish railway construction-assembly market. The goal will be possible to achieve provided that the organizational and financial support for the offering and contracting area as well as contracts performed area are sufficiently supported.

## 2. ANALYSIS OF ASSETS AND FINANCIAL CONDITION OF TRAKCA GROUP

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

### 2.1 Description of factors and events exerting a significant impact on the financial performance in the first half of 2021

#### 2.1.1 Overview of the income statement

CONSOLIDATED PROFIT & LOSS ACCOUNT	1.01.2022 - 30.06.2022 Unaudited	1.01.2021 - 30.06.2021 Unaudited	Change	Change %
Sales revenues	555 423	533 973	21 450	4%
Cost of goods sold	(683 439)	(542 643)	(140 796)	26%
<b>Gross profit (loss) on sales</b>	<b>(128 016)</b>	<b>(8 670)</b>	<b>(119 346)</b>	<b>1377%</b>
Cost of sales, marketing and distribution	(2 496)	(3 083)	587	-19%
General and administrative costs	(31 498)	(27 477)	(4 021)	15%
Other operating revenues	4 651	5 838	(1 187)	-20%
Other operating costs	(6 995)	(1 113)	(5 882)	528%
Goodwill impairment	(62 112)	-	(62 112)	-
<b>Operating profit (loss)</b>	<b>(226 466)</b>	<b>(34 505)</b>	<b>(191 961)</b>	<b>556%</b>
Financial revenues	1 678	3 855	(2 177)	-56%
Financial costs	(19 098)	(11 048)	(8 050)	73%
<b>Gross profit (loss)</b>	<b>(243 886)</b>	<b>(41 698)</b>	<b>(202 188)</b>	<b>485%</b>
Income tax	14 249	4 035	10 214	253%
<b>Net profit (loss) for the period</b>	<b>(229 637)</b>	<b>(37 663)</b>	<b>(191 974)</b>	<b>510%</b>

In the first half of 2022, Trakcja Group achieved revenues in the amount of PLN 555,423 thousand, which have increased by 4% against an analogous period of the last year. The Company's sales expenses during the six months of 2022 have increased by 26% and achieved the value of PLN 683,439 thousand.

The total gross loss on sales of the Group in the first half of 2022 has achieved the value of PLN 128,016 thousand, which has decreased by PLN 119,346 thousand against an analogous period of the last year, when the gross loss on sales amounted to PLN 8,670 thousand. The gross profit margin on sales during the period amounted to -23.0% which was lower by 21.4 p.p. compared to the analogous period in 2021.

The main factor that influenced the level of gross profit on sales margin in the first half of 2022 was a situation in the Parent Company, that noted a gross loss on sales in the amount of PLN 97,552 thousand, which represents the decrease in the loss by PLN 86,980 thousand compared to the analogous period of the last year. The amount of the loss mainly resulted from periodic construction contract overview performed in I and II quarter, which had a negative impact on the results for the I half of 2022 in the amount of PLN 20,732 thousand and PLN 104,069 thousand respectively. The most significant factors, that influenced the amounts of updated contracts' budgets in the I quarter of 2022 are the increase in materials and third-party services prices, increase in costs related to forecasted prolonged contracts performance and increase in valorisation revenues. Main factors that influenced the amounts of updated contracts' budgets in the II quarter of 2022 are recognition of additional costs related to designing and constructing on railway



contracts, increase in costs related to forecasted prolonged contracts performance as well as inflation pressure that negatively impact the contract performance costs.

- a change in the adopted estimates of the value of valorisation in the budgets of certain contracts performed for PKP PLK, of which the Company informed in current report No. 53/2022; the Management Board decided to adjust the valorisation value included in the budgets of contracts from the so-called old basket, where contractual provisions may raise interpretative doubts. In the course of expert analyses, an adjustment coefficient was prudently adopted, as a result of which the valorisation included in the budgets was reduced by PLN 37.6 million;

- impact of settlements concluded with PKP PLK, about which the Company informed in CR 45/2022 and 52/2022.

Significant impact on the level of gross profit on sales margin in Trakcja Group also had a situation in subsidiary Torprojekt sp. z o.o., which in discussed period noted the gross loss on sales in the amount of PLN 24,404 thousand, compared to loss in the amount of PLN 192 thousand in I half of 2021. The loss was influenced by the updated budget of contract related to Cross-city in Warsaw, connected with the increase in budget of costs not included in the previous versions of discussed budget. The impact of the update on the results of Torprojekt in the I half of 2022, with the provision for forecasted losses on contract included, amounted to PLN -24,116 thousand.

Costs of sales, marketing and distribution amounted to PLN 2,496 thousand and were lower by PLN 587 thousand compared to the analogous period. General and administrative costs were PLN 31,498 thousand, which entails an increase by PLN 4,021 thousand, i.e. by 15% compared to the analogous period in 2021. The increase mainly refer to the Parent Company, in which the general and administrative costs were higher by PLN 2,109 thousand than in the I half of 2021, that correlates with, among others, making a provision for compensation payment for the previous Chief Executive Officer. Higher costs by PLN 1,063 thousand were also recognized in Kauno Group.

Other operating revenues for the 6-months period of 2022 amounted to PLN 4,651 thousand and were lower by PLN 1,187 thousand, i.e. by 20% compared to the analogous period. Decrease in the revenues mainly results from recognition of revenues from partial remission of subsidies given within Anti-Crisis Shield for the subsidiaries BTW, Torprojekt and Dalba in the total amount of PLN 2,217 thousand. Simultaneously, in the I half of 2022 the Group noted higher profit from selling the fixed assets by the amount of PLN 1,056 thousand, which mainly concerned AB Kauno Tiltai. Other operating costs in the I half of 2022 were PLN 6,995 thousand, which corresponds to the increase by PLN 5,882 thousand compared to the I half of 2021.

The Group ended the I half of 2022 with the loss on operating activities in the amount of PLN 226,466 thousand, which indicate the increase in the loss on operating activities by PLN 191,961 thousand compared to the analogous period of the last year, in which the loss amounted to PLN 34,505 thousand. Besides the factors mentioned earlier, the increase in loss were influenced by concluded write-offs of goodwill in the amount of PLN 62,112 thousand, of which PLN 22,753 thousand referred to the write-down concluded in the I quarter of 2022 related to the goodwill allocated to the cash generating unit that includes the subsidiaries PEUiM sp. z o.o., Dalba sp. z o.o. and PDM S.A. However, the write-down concluded in II quarter of 2022 amounted to PLN 39,359 thousand and related to the subsequent cash generating units: cash generating unit with: PEUiM sp. z o.o., Dalba sp. z o.o., PDM S.A. as well as cash generating unit with companies within the AB Kauno Tiltai Group.

In the I half of 2022 the Group financial income amounted to PLN 1,678 thousand, which was lower by PLN 2,177 thousand compared to the analogous period of the last year. The decrease in financial income mainly resulted in one-off that occurred in the I half of 2021, which was a dissolution of provision for the interest on liabilities in the Parent Company in the amount of PLN 2,311 thousand. Financial costs in the discussed period were higher by PLN 8,050 thousand in relation to the comparable period and amounted to PLN 19,098 thousand. Increase mainly relates to the amount of interest costs in the Parent Company, including interest on loans and borrowings by PLN 7,554 thousand and interest on liabilities by PLN 2,619 thousand.

In the discussed period the Group noted a gross loss in the amount of PLN 243,886 thousand, which corresponds to the increase in loss by PLN 202,188 thousand compared to the I half of 2022, which ended with the gross loss in the amount of PLN 41,698 thousand. Income tax in the I half of 2022 improved the net result by PLN 14,249 thousand compared to the PLN 4,035 thousand in the analogous period of the last year. The Group ended the period with the



net loss in the amount of PLN 229,637 thousand, in analogous period of the last year the Group incurred a net loss in the amount of PLN 37,663 thousand, which means that the results were worsened by the PLN 191,974 thousand compared to the results in the I half of 2021. In the I half of 2022 net profit margin amounted to -41.3%, which corresponds to the decrease by 34.3 p.p. compared to the I half of 2021.

### 2.1.2 Balance sheet items overview

The table below presents the items of the consolidated balance sheet of Trakcja Group as at June 30, 2022 compared their state as at December 31, 2021:

CONSOLIDATED ASSETS	30.06.2022 Unaudited	31.12.2021 Audited	Change	Change %
<b>Non-current assets</b>	<b>509 831</b>	<b>560 778</b>	<b>(50 947)</b>	<b>-9%</b>
Tangible non-current assets	263 380	265 929	(2 549)	-1%
Investment properties	34 854	34 905	(51)	0%
Goodwill from consolidation	121 166	181 589	(60 423)	-33%
Intangible assets	4 681	4 027	654	16%
Other financial assets	9 156	8 466	690	8%
Deferred tax assets	70 095	57 889	12 206	21%
Long-term receivables	-	32	(32)	-100%
Prepayments	6 499	7 941	(1 442)	-18%
<b>Current assets</b>	<b>735 672</b>	<b>817 784</b>	<b>(82 112)</b>	<b>-10%</b>
Inventory	149 516	107 272	42 244	39%
Trade and other receivables	376 214	331 396	44 818	14%
Income tax receivables	1 434	1 660	(226)	-14%
Other financial assets	10 527	36 663	(26 136)	-71%
Cash and cash equivalents	15 211	126 946	(111 735)	-88%
Prepayments	16 777	15 153	1 624	11%
Assets due to contracts with clients	164 874	197 434	(32 560)	-16%
Assets held for sale	1 119	1 260	(141)	-11%
<b>TOTAL ASSETS</b>	<b>1 245 503</b>	<b>1 378 562</b>	<b>(133 059)</b>	<b>-10%</b>

As at June 30, 2022, the balance sheet sum of Trakcja Group achieved the value of PLN 1,245,503 thousand and decreased by PLN 133,059 thousand compared to the state as at the end of 2021, which corresponds to the decrease by 10%. Non-current assets as at June 30, 2022 amounted to PLN 509,831 thousand and decreased by PLN 50,947 thousand. The decrease resulted mainly from the decrease in the goodwill by the PLN 60,423 thousand due to the write-off of goodwill in the I and II quarter of 2022 in the total amount of PLN 62,112 thousand.

As at June 30, 2022, the current assets amounted to PLN 735,672 thousand and were lower by PLN 82,112 thousand compared to their state as at the end of 2021. The highest decrease was noted in the state of cash and cash equivalents, which were lower by PLN 111,735 thousand in relation to comparable period. Trade and other receivables lowered by PLN 32,560 thousand, and their value as at June 30, 2022 amounted to PLN 164,874 thousand, while the other financial assets, that as at the end of I half of 2022 amounted to PLN 10,527 thousand, which corresponds to the decrease by PLN 26,136 thousand, i.e. by 71% in relation to their state as at the end of 2021.

CONSOLIDATED EQUITY AND LIABILITIES	30.06.2022 Unaudited	31.12.2021 Audited	Change	Change %
<b>Equity attributable to shareholders of parent entity</b>	<b>93 059</b>	<b>315 490</b>	<b>(222 431)</b>	<b>-71%</b>
Share capital	69 161	69 161	-	0%
Share premium account	199 160	199 160	-	0%
Revaluation reserve	5 580	5 580	-	0%
Other capital reserves	(575)	(911)	336	-37%
Retained earnings	(211 921)	13 568	(225 489)	-1662%
Foreign exchange differences on translation of foreign operations	31 654	28 932	2 722	9%
<b>Non-controlling interests</b>	<b>578</b>	<b>4 610</b>	<b>(4 032)</b>	<b>-87%</b>
<b>Total equity</b>	<b>93 637</b>	<b>320 100</b>	<b>(226 463)</b>	<b>-71%</b>
<b>Total liabilities</b>	<b>1 151 866</b>	<b>1 058 462</b>	<b>93 404</b>	<b>9%</b>
<b>Long-term liabilities</b>	<b>321 427</b>	<b>356 358</b>	<b>(34 931)</b>	<b>-10%</b>
Interest-bearing bank loans and borrowings	268 725	301 754	(33 029)	-11%
Bonds	28 790	28 451	339	1%
Provisions	14 061	13 563	498	4%
Liabilities due to employee benefits	3 691	3 643	48	1%
Provision for deferred tax	6 093	8 882	(2 789)	-31%
Accruals	58	50	8	16%
Other liabilities	9	15	(6)	-40%
<b>Short-term liabilities</b>	<b>830 439</b>	<b>702 104</b>	<b>128 335</b>	<b>18%</b>
Interest-bearing bank loans and borrowings	171 665	92 334	79 331	86%
Bonds	376	196	180	92%
Trade and other liabilities	413 499	370 080	43 419	12%
Provisions	69 762	37 381	32 381	87%
Liabilities due to employee benefits	18 546	17 165	1 381	8%
Accruals	1 050	3 639	(2 589)	-71%
Liabilities due to contracts with clients	155 529	181 296	(25 767)	-14%
Commitments held for sale	12	13	(1)	-8%
<b>Total equity and liabilities</b>	<b>1 245 503</b>	<b>1 378 562</b>	<b>(133 059)</b>	<b>-10%</b>

In the I half of 2022 the value of equity decreased by PLN 226,463 thousand in relation to their state as at December 31, 2021 and as at June 30, 2022 amounted to PLN 93,637 thousand. Long-term liabilities as at June 30, 2022 amounted to PLN 321,427 thousand, which represents a decrease by PLN 34,931 thousand, i.e. by 10%. The decrease occurred mainly due to the decrease in the balance of interest-bearing loans and borrowings by PLN 33,029 thousand as at June 30, 2022 in relation to their value as at December 31, 2021. Short-term liabilities at the end of I half of 2022 amounted to PLN 830,439 thousand and were higher by PLN 128,335 thousand, i.e. by 18% in relation to their state as at the end of previous year. The increase occurred mainly due to the increase in the balance of interest-bearing loans and borrowings, which as at June 30, 2022 amounted to PLN 171,665 thousand and were higher by PLN 79,331 thousand in relation to their state as at December 31, 2021. Liabilities due to contracts with clients and other liabilities also increased by PLN 43,419 thousand, as well as provisions, that as at June 30, 2022 amounted to PLN 69,762 thousand, and that means they were higher by PLN 32,381 thousand in relation to December 31, 2021.

### 2.1.3 Cash-flow statement overview

The table belows presents main items of consolidated cash-flow statement of Trakcja Group in the periods ended June 30, 2022 and December 31, 2021.

CONSOLIDATED CASH FLOW ACCOUNT	1.01.2022 - 30.06.2022 Unaudited	1.01.2021 - 30.06.2021 Unaudited	Change	Change %
<b>Cash at start of period</b>	<b>126 946</b>	<b>135 906</b>	<b>(8 960)</b>	<b>-7%</b>
Net cash flows from operating activities	(160 512)	(153 611)	(6 901)	4%
Net cash flows from investment activities	18 404	44 703	(26 299)	-59%
Net cash flows from financial activities	30 373	47 455	(17 082)	-36%
<b>Total net cash flows</b>	<b>(111 735)</b>	<b>(61 453)</b>	<b>(50 282)</b>	<b>82%</b>
<b>Cash at end of period</b>	<b>15 211</b>	<b>74 453</b>	<b>(59 242)</b>	<b>-80%</b>

In the I half of 2022 the net cash flows from operating activities were negative and amounted to PLN 160,512 thousand. The value decreased compared to the same period of the previous year by PLN 6,901 thousand. In the I half of 2022m net cash flows from investment activities showed positive balance in the amount of PLN 18,404 thousand, which corresponds to a decrease by PLN 26,299 thousand in relation to comparable period. Balance of net cash flows from financial activities was positive and amounted to PLN 30,373 thousand. This item decreased in relations to the balance as at the end of I half of 2021 by the amount of PLN 17,082 thousand.

The Group started year 2022 with cash disclosed in consolidated cash flow statement in the amount of PLN 126,946 thousand, and ended the I half of 2022 with the state of cash in the amount of PLN 15,211 thousand. In the reported period the Group noted the negative net cash flows in the amount of PLN 111,735 thousand.

### 2.1.4 Overview of profitability ratios

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

The gross sales profit margin decreased by 21.4 pp. in first half of 2022 as compared to the same period last year and was -23,0%. The main reasons for the reduction of the gross profit margin on sales are described in note 2.1.1. The operating profit, including depreciation and amortization (EBITDA) was PLN -145,554 thousand and dropped by PLN -129,950 thousand as compared to the first half year 2021. The EBITDA margin fell by 23.3 pp. and reached -26.2%. The operating profit margin decreased by 34.3 pp. and totaled -40,8%. In the analyzed period the net profit margin was -41.3% and was lower by 34.2 pp. from the margin of the comparable period.

The return on equity (ROE) decreased by 100,2 pp. in relation to the previous year and was -112,4%. The return on assets (ROA) amounted to -17.5% and was lower by 14.9 pp. lower than in the preceding year.

PROFITABILITY RATIOS	30.06.2022 Unaudited	30.06.2021 Unaudited	Change
Gross sales profit margin	-23,0%	4,0%	-27,0 p.p.
EBITDA	(145 554)	59 283	(204 837)
EBITDA profit margin	-26,2%	4,2%	-30,4 p.p.
Operating profit margin	-40,8%	1,6%	-42,4 p.p.
Net profit margin	-41,3%	-0,8%	-40,5 p.p.
Return on equity (ROE)	-112,4%	-3,6%	-108,8 p.p.
Return on assets (ROA)	-17,5%	-0,8%	-16,7 p.p.

These ratios have been calculated using the following formulae:

Gross margin on sales = gross profit on sales / sales revenue

EBITDA = operating profit + amortisation/depreciation

EBITDA margin = (operating profit + amortisation/depreciation) / sales revenue

Operating profit margin = operating profit / sales revenue

Net profit margin = net profit / sales revenue

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

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

## 2.2 Assessment of financial resources management

As at the end of the first half-year of 2022 Trakcja Group had cash in the amount of PLN 15,211 thousand and its total debt (loans, borrowings, finance lease and bonds) were PLN 469,556 thousand. The liquidity situation of the Parent Company is described in note 9 to the condensed consolidated financial statements of Trakcja Group for the period of 6 months ended June 30, 2022 as well as in Note 4 to Additional information to condensed financial statements of Trakcja for the period of 6 months ended June 30, 2022.

As at June 30, 2022 the Group is at a disposal of unused credit facilities (overdraft facilities and working capital facilities) in the amount of PLN 20,406 thousand, which guarantees to the Trakcja Group companies the continuity of financing the current contract activity.

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

### 2.2.1 Liquidity ratios

As at June 30, 2021, the working capital in Trakcja Group amounted to PLN 93,717 thousand., which constituted a decrease by PLN 213,036 thousand in comparison with the working capital at the end of 2021.

As at the end of the first half-year of 2022 the current ratio amounted to 0.89 and was lower by 0.27 than the current ratio as at December 31, 2021. The quick ratio was 0.71 and decrease by 0.30 compared to the ratio at the end of 2021. The immediate liquidity ratio amounted to 0.02 which means a decrease by 0.16 in relation to the comparable period. The liquidity situation of the Parent Company has been described in more details in note 9 to the half-yearly consolidated financial statement of the Trakcja Group for the period of 6 months ended on June 30, 2022 and note 4 to the half-yearly financial statement of the Trakcja for the period of 6 months ended on June 30, 2022.

LIQUIDITY RATIOS	30.06.2022 Unaudited	31.12.2021 Audited	Change
Working capital	(93 717)	119 319	(213 036)
Current ratio	0,89	1,16	(0,27)
Quick ratio	0,71	1,01	(0,30)
Cash ratio	0,02	0,18	(0,16)

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

Working capital = current assets - short-term liabilities + prepayments

Current ratio = current assets / short-term liabilities

Quick ratio = (current assets - inventory) / short-term liabilities

Cash ratio = cash and cash equivalents / short-term liabilities

### 2.2.2 Financing structure ratios

The Group monitors its capital structure using debt ratios. The financing structure ratios changed negatively as at June 30, 2022 in comparison with the end of 2021. As at June 30, 2022 the equity to assets ratio was 0.07 which is a decrease by 0.16 compared to the value of the ratio as at December 31, 2021. The equity to non-current assets ratio decreased from 0.56 at the end of 2021 to 0.18 as at June 30, 2022. The debt ratio was 0.93 at the end of the first half of 2022. This means that the company's assets are financed in 93% by foreign sources of financing - liabilities. In addition, the debt to equity ratio increased from 3.37 at the end of 2021 to 12.38 in the first half of 2022.

FINANCING STRUCTURE RATIOS	30.06.2022 Unaudited	31.12.2021 Audited	Change
Equity to assets ratio	0,07	0,23	-0,16
Equity to non-current assets ratio	0,18	0,56	-0,38
Debt ratio	0,93	0,77	0,16
Debt to equity ratio	12,38	3,37	9,01

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

Ownership coverage with equity = equity attributed to Shareholders of the Parent Company / total assets

Coverage of fixed assets with equity = equity attributed to Shareholders of the Parent / fixed assets

Total debt ratio = (total assets - equity attributed to Shareholders of the Parent Company) / total assets

Equity debt ratio = (total assets - equity attributed to Shareholders of the Parent Entity) / equity attributed to Shareholders of the Parent Company

### 2.2.3 Loans and borrowings

As at June 30, 2022 Trakcja Group had the following loans and borrowings:

Company	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja S.A.	COMSA S.A.U.	loan from related undertaking	2 674	EUR	01.02.2024	WIBOR 1M + margin	82
Trakcja S.A.	COMSA S.A.U.	loan from related undertaking	5 000	EUR	01.02.2024	WIBOR 1M + margin	160
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	27 600	PLN	31.12.2023	WIBOR 1M + margin	25 552
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	52 746	PLN	31.12.2023	WIBOR 1M + margin	52 954
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	9 091	PLN	31.12.2023	WIBOR 1M + margin	8 417
Trakcja S.A.	mBank S.A., Bank Gospodarstwa Krajowego	working capital credit	43 892	PLN	31.12.2023	WIBOR 1M + margin	40 640
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	92 600	PLN	31.12.2023	WIBOR 1M + margin	85 740
Trakcja S.A.	mBank S.A.	working capital credit	15 000	PLN	31.12.2023	WIBOR 1M + margin	14 222
Trakcja S.A.	mBank S.A.	working capital credit	15 000	PLN	31.12.2023	WIBOR 1M + margin	14 222
Trakcja S.A.	mBank S.A.	overdraft facility	20 000	PLN	31.12.2023	WIBOR O/N + margin	10 823
Trakcja S.A.	Pekao S.A.	overdraft facility	20 000	PLN	31.12.2023	WIBOR 1M + margin	18 438
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	21 500	PLN	31.12.2023	WIBOR 1M + margin	19 907
Torprojekt sp.z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	1 051	PLN	26.06.2023	interest-free	131

PRK 7 Nieruchomości sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	4 000	PLN	31.12.2023	WIBOR 1M + margin	3 689
BTW sp. z o.o.	mLeasing	loan from other entities	16 397	PLN	15.03.2025	WIBOR 1M + margin	8 595
BTW sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	2 000	PLN	31.12.2023	WIBOR 1M + margin	1 844
BTW sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	1 412	PLN	31.05.2023	interest-free	218
Dalba sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	1 000	PLN	31.12.2023	WIBOR 1M + margin	922
Dalba sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	814	PLN	31.05.2023	interest-free	181
PDM S.A.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	2 500	PLN	31.12.2023	WIBOR 1M + margin	2 305
PEUiM sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	overdraft facility	3 000	PLN	31.12.2023	WIBOR 1M + margin	2 010
PEUiM sp. z o.o.	Idea Getin Leasing	loan from other entities	244	PLN	16.06.2024	WIBOR 1M + margin	106
AB Kauno tiltai	Luminor Bank AB	working capital credit	4 000	EUR	31.05.2023	EURIBOR 3M + margin	4 382
AB Kauno tiltai	Luminor Bank AB	overdraft facility	12 000	EUR	31.12.2027	EURIBOR 1M + margin	44 736
<b>TOTAL</b>							<b>360 276</b>

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

#### New financing agreements

On 23 June 2022, Trakcja, together with Financial Institutions and PKP PLK, signed preliminary financing terms associated with the planned recapitalisation of Trakcja by PKP PLK, the so-called "Term Sheet" (which the Company announced in current report No. 38/2022). According to the Term Sheet, it is envisaged that the terms of the existing financing will be maintained with a perspective until the end of 2023, which include:

- a) credit/loan financing of the Company and its subsidiaries for a total amount of PLN 306,981,000.00;
- b) guarantee lines for a total of PLN 706,568,000.00.

On 12 August 2022, the Company signed annexes to the long-term financing agreements, which implement the provisions of the Term Sheet (as announced by the Company in current report No. 54/2022).

Subsequent to the balance sheet date, the Company repaid in full the capital portion of the loan of PLN 52,746,000.00 obtained from ARP.

During the first half of 2022, WIBOR interest rates, on the basis of which the value of interest liabilities paid to financial institutions is calculated, increased, which resulted in an increase in debt servicing costs in the first half of the year and will have an impact on cost increases in subsequent periods. The Company identifies the risk of further increases in interest rates, a factor which, in the Company's opinion, will affect results in the next six months.

Detailed information concerning the debt of Trakcja Group were presented in Note 32 to additional information to condensed consolidated financial statements of Trakcja Group for the 6-month period ended June 30, 2022.

#### **Risk of failing to achieve contractually stipulated values of financial ratios**

In connection with the signing of a number of annexes to long-term financing agreements on 17 June 2021, as referred to in current report No. 20/2021, Trakcja is obliged to comply with financial ratios (hereinafter "Covenants") associated with the current financial situation of the Company and the Group. The signed annexes provided for the first verification of the Company's and the Group's compliance with the Covenants on 31 December 2021 and thereafter on a quarterly basis by the Company and on an annual basis by the Group.

Pursuant to the annexes to the aforementioned agreements concluded on 20 December 2021, of which the Company informed in current report No. 53/2021, the date of the first verification of the fulfilment of the Covenants by the Company and the Group was postponed until 30 June 2022. On 12 August 2022, the Company signed further annexes to the aforementioned financing agreements (of which the Company informed in current report no. 54/2022), implementing the provisions of the Term Sheet signed on 23 June 2022 (information contained in current report no. 38/2022), according to which the date of testing of the Covenants by the Company and the Group was postponed from 30 June 2022 till 30 June 2023.

In addition, as a result of the contract budget update in the Torprojekt sp. z o.o. subsidiary in (of which Trakcja informed on 2 September 2022 in current report 58/2022), the impact of which on the financial result for the first half of 2022 amounted to PLN -24,116,000.00, negative equity of this company was reached as at the balance sheet date of 30 June 2022. When the negative equity of Torprojekt sp. z o.o. was established, an event of default occurred in accordance with the provisions of the financing agreements. Under the financing agreements, not every case of breach constitutes a material case of breach. Under the financing agreements, the negative equity of Torprojekt sp. z o.o. would only become a material event of default if at least three Financiers (including at least: (i) one Insurer and (ii) BGK or ARP) decide that the negative equity of Torprojekt sp. z o.o. is to become a material event of default under the financing agreements. As at the date of approval of this report for publication, the Company has not been informed by the Financiers of a determination that the negative equity of Torprojekt sp. z o.o. constitutes a material event of default. As the current negative equity of Torprojekt sp. z o.o. does not constitute a material case of breach, no Financier can independently decide on the basis of this instance of breach to withhold financing, and termination of financing on this basis would require a decision by the relevant group of Financiers.

Up to the date of approval of this report for publication, the Company has not received any information from the Financiers regarding borrowings that they become due on demand. In addition, during the first half of 2022 and up to the date of approval of this report for publication, the Company:

- concluded settlements with PKP PLK regarding the Company's claims against PKP PLK arising from court proceedings and PKP PLK's claims against the Company arising from the development of foundation piles;
- concluded annexes to long-term financing agreements;
- completed the recapitalisation process and received cash proceeds from the capital increase;
- repaid the loan received from ARP in the amount of PLN 52,746,000.00;

which was the implementation of the terms of the Term Sheet signed on 23 June 2022 between Trakcja, the Financiers and PKP PLK. Therefore, the Company assesses the risk of the financing agreements coming to maturity within 12 months from the balance sheet date of 30 June 2022 as low. The Company plans to apply to the Financiers in the near future for approval that the above indicated negative equity of Torprojekt sp. z o.o. no longer constitutes a case of default.



## **2.3 Information on issuance, repurchase and repayment of debt and capital securities**

As at June 30, 2022, the share capital of the Parent 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;
- 12,335,891 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.

### **Capital increase in the Company after the balance sheet date**

On 22 June 2022, the Company entered into an investment agreement with PKP PLK, pursuant to which PKP PLK has committed itself to subscribe for 250 million series E ordinary registered shares in the Company's increased share capital, at an issue price of PLN 0.80 per series E share, in exchange for a cash contribution of PLN 200,000,000.00. In accordance with the agreement, in the event that PKP PLK concludes the agreement on taking up Series E Shares, PKP PLK has undertaken not to undertake any actions aimed at changing the basic scope of the Company's business activity. For details, see current report No. 37/2022.

On 23 June 2022, the EGM of Trakcja S.A. adopted a resolution on increasing the Company's share capital through the issue of ordinary registered shares of Series E by way of private subscription with the complete exclusion of the pre-emptive rights of existing shareholders, dematerialisation of Series E shares and amendment of the Articles of Association. For details, please refer to current report No. 39/2022.

On 8 July 2022, the Company entered into a share subscription agreement with PKP PLK, pursuant to which the Company made an offer to PKP PLK to subscribe for 250 million Series E ordinary registered shares at an issue price of PLN 0.80 per Series E share, and PKP PLK unconditionally accepted it, as a consequence of which PKP PLK subscribed for the aforementioned Series E shares in exchange for a cash contribution of PLN 200,000,000.00.

On 29 August 2022, the increase of the share capital and the new consolidated text of the Company's Articles of Association were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Business Division of the National Court Register, based on the resolutions of the Extraordinary General Meeting of the Company of 23 June 2022.

As at the date of approval of financial statements for publication, share capital 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;
- 200,000,000 series E 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.

## **2.4 Brief description of significant accomplishments or failures in the first half of 2022**

The significant achievements of the Group during the 6 months ended June 30, 2022 include:

- finalization of activities that aimed to obtain a capital financing in the amount of PLN 200,000 thousand (more details described in Note 2.3 herein), which have an impact on minimizing the risk of the Company's going concern;
- signing of the new contracts in the amount of PLN 275 million (excluding the part of revenues attributed to consortium members);

- further rebuild of order backlog, that as at June 30, 2022 amounted to PLN 2,098 million (excluding the part of revenues attributed to consortium members);
- continuation of the Parent Company's Recovery Plan implementation, under which the Company is implementing a series of activities that aim to, among others, obtain the financial benefits, streamline internal procedures and optimize the internal structure.

In addition, as a result of the cyclical review of contracts, their budgets were updated with regard to the nature, amounts, timing and uncertainty of revenues and cash flows arising from their implementation. In the course of updating the budgets, an opportunity and risk analysis was carried out, in which technical, performance and liquidity risks were identified and taken into account, as well as those related to the extension of contract performance. In Q2 2022, the impact of the update of contract budgets on the gross result of the Parent Company and the Group was negative and amounted to PLN 104,069,000.00 (as reported by the Company in current report no. 55/2022), while in Q1 2022, the impact was negative and amounted to PLN 20,732,000.00 (as reported by the Company in current report no. 27/2022).

Additionally, as a result of the update of the budget of the contract executed by the Torprojekt subsidiary, the impact on the gross result of this company and the Group was negative and amounted to PLN 24,116,000.00.

During the first half of 2022, there were also write-offs of "Investments in subsidiaries" and financial assets - granted loans included in the separate report of Trakcja S.A. as at 30 June 2022 in the total amount of PLN 99,834,000.00 and write-off of "goodwill" included in the consolidated report of Trakcja Group as at 30 June 2022 in the total amount of PLN 62,112,000.00.

## **2.5 Evaluation of factors and unusual events that have an impact on Trakcja Group results in I half of 2022**

The main factors and events of an unusual nature affecting the results achieved by the Trakcja Group in the first half of 2022 were:

1. the impact of the update of contract budgets in Q2 2022, and the main factors that most negatively affected the amount of the update were:
  - a) inclusion of additional design and construction costs on rail contracts;
  - b) cost increases related to the expected extension of contract performance;
  - c) inflationary pressure negatively affecting the costs of contract performance;
  - d) the decision of the Management Board of Trakcja of 5 August 2022 to change the adopted estimates as at 30 June 2022 of the value of valorisation in the budgets of certain contracts performed for PKP PLK (details are described in current report No. 53/2022).

In addition, in Q2 2022, the Parent Company operated in conditions of insufficient liquidity, which adversely affected the Company's operations.

2. the impact of updating contract budgets in Q1 2022, and the main factors that most negatively affected the amount of the update were:
  - a) increase in the prices of third-party services;
  - b) increase in material prices;
  - c) increase in costs related to the anticipated extension of contract performance.
3. the impact of the contract budget update in Q2 2022 in the Torprojekt sp. z o.o. subsidiary, and the main factors that most negatively affected the amount of the update were:
  - a) adjustment of a previous underestimation of subcontractor costs, wages and indirect costs.
4. making write-downs of the assets of "Investments in subsidiaries" included in the separate report of Trakcja S.A. in the first half of 2022 in the total amount of PLN 94,195,000.00 and making write-downs of the assets of "Goodwill"

included in the consolidated report of Trakcja Group in the first half of 2022 in the total amount of PLN 62,112,000.00, and the main factors that most negatively affected the amount of the write-downs were:

- a) the significant increase in market interest rates that occurred in the first half of 2022;
- b) the increase during the first half of 2022 in the risk-free rate and the total equity risk premium for Poland and Lithuania due to the commencement of the conflict on Ukrainian territory.

The foregoing elements affected the discount rate applied for calculating the usable value of investments in subsidiaries/cash-generating units ("CGUs"). The increase in the above elements negatively affects the recoverable amount of investments in subsidiaries/CGUs. In addition, due to the outbreak of war in the territory of Ukraine, risks have been identified (including an increase in material prices and operating costs) as described in current report No. 14/2022, which may result in adverse changes referred to in IAS 36.12b, i.e. changes in technology, markets, economy or laws.

5. write-down of financial assets "granted loans" included in the separate financial statements of Trakcja S.A. as at 30 June 2022 in the amount of PLN 5,639,000.00, due to the difficult financial situation of the subsidiary company, Torprojekt sp. z o.o.

## **2.6 Management Board's opinion on financial results forecasts of Trakcja Group that were published earlier**

The Parent Company's Management Board did not publish forecasts of the Company's and the Group's financial results for 2022.

On 8 September 2022, the preliminary analysis of the available financial results of the Group's individual entities and the process of collecting financial data for the preparation of the Company's standalone financial statements for the six-month period ending on 30 June 2022 was completed. Accordingly, Trakcja made public (in current report no. 63/2022) the preliminary estimated financial results of the Company for the period:

- Sales revenue: PLN 279 621 thousand;
- Gross profit on sales: PLN -97 552 thousand;
- EBITDA: PLN -109 270 thousand;
- Gross profit: PLN -228 655 thousand.

as well as preliminary estimated consolidated financial results of Trakcja Group for the period of 6 months ended June 30, 2022:

- Sales revenue: PLN 555 423 thousand;
- Gross profit on sales: PLN -128 016 thousand;
- EBITDA: PLN -145 554 thousand;
- Gross profit: PLN -243 887 thousand.

Above-mentioned elements has not changed compared to the data published hereof.

## **2.7 Description of factors that, in Group's opinion, will have an impact on its results at least within the next six months**

Major external factors that have significant impact on financial results of the Group:

- ability to obtain new construction contracts, which, due to the scope of the Group's activities, is determined by the amount of expenses on railway, road and tram infrastructure in Poland and Lithuania, as well as on new markets;
- efficiency of ordering parties in the scope of contract providing procedures;
- competition from other parties and increasing pressure on margins
- lack of market barriers;

- joint and several liability of construction consortium members and responsibility for improper performance to perform construction works by subcontractors;
- price formation of raw construction materials and consumables;
- growing bargaining power of subcontractors (impact on the prices of their services);
- situation on Polish and Lithuanian labour market;
- fluctuation in exchange rates, especially euro;
- impact of Central Bank's monetary policy on changes in loan rates;
- timeliness of liabilities payment by the recipients. Late repayment of liabilities may lead to a deterioration of the Group's financial liquidity;
- changes in the provisions of law defining the scope of the Group's activities, including tax regulations, as well as regulations regarding other public law charges;
- the level of valorisation of construction contracts;
- weather conditions;
- impact of the war in Ukraine;
- COVID-19 pandemic consequences.

Major internal factors that have significant impact on financial results of the Group:

- accuracy of implemented projects costs estimation, that have a direct impact on decision on the strategy of participation in tender, valuation of contracts for tenders and, as a result, margin achieved on contracts, the accuracy of estimating the contract costs budgets is in turn related to both methodological and external factors, e.g. changes in material prices and prices of subcontractors' services;
- the number of contracts won under railway and road infrastructure investment programmes in Poland and Lithuania;
- the ability to hire highly qualified employees;
- the ability to further diversify the business;
- the ability to obtain financing for the performance of construction contracts and to obtain contractual guarantees;
- the ability to meet the conditions set out in the financing agreements, among others maintaining the value of financial ratios included in financing agreements at the indicated level;
- results of negotiations with clients and court proceedings;
- ability to implement the Group's development strategy.

#### **Impact of COVID-19 on financial situation, results and cash-flows**

Further development of SARS CoV-2 pandemic and economic consequences resulting from the pandemic, currently tough to forecast, may have a negative impact on operating activities, deadline of works and costs. The Management Board of Trakcja monitors the risk of the negative impact of pandemic and its effects on the Group's activity.

#### **Impact of Russia – Ukraine war on Group's situation**

The Parent Company identified the risk related to the beginning of war in Ukraine. Ever since the beginning of war in Ukraine, The Company has been analyzing inquisitively on an ongoing basis the impact of these events on potential risks which may bear a material impact on the business and future financial performance of the Issuer and its Group. Accordingly, the following has been done in the I half of 2022:

1. Purchase plans concerning contracts performed by the Company have been subjected to analysis, and accordingly, the risk levels of sudden and significant price increases of materials used by the Trakcja Group – have been updated, including those of metallurgical products, rails, steel structures, reinforcing steel, but also the price increase of sleepers, turnouts, aluminium and copper cables, concrete products and asphalt mass, as well as of other materials, including fuels. This risk may bear an impact on the final valuation of construction contracts implemented by the Trakcja Group in 2022.
2. The Company diagnosed the potential risk which may bear an impact on the Company's contract performance schedule, due to the problems of non-availability or difficult availability of employees, in particular of those who are Ukrainian nationals employed by the Company's subcontractors, as a result of the general mobilization ordained in the Ukraine. This risk may significantly disrupt the timing of construction and assembly manufacturing at the peak of the construction season in 2022.
3. The material impact of the weakening of the PLN against the EUR and USD in the context of the magnitude of costs of production factors - which gives rise to the risk of inflationary pressure. Accordingly, the risk of increasing interest rates exists, which will bear an impact on the financial expenses of the Company and Trakcja Group.
4. No material disturbances have been noted as regards the fuelling limits introduced by PKN ORLEN S.A. Fuel supply schedules are determined on an ongoing basis and the Trakcja Group's requisition for fuel is monitored on a daily basis- which allows, as at the date hereof, the maintenance of the planned productivity pace of equipment and transport.
5. Risks have been identified (their possible occurrence will have no material impact on the Trakcja Group financial statements) as regards the business of our subsidiary, Trakcja Ukraina Sp. z o.o. with its seat in Kiev, which has not conducted significant operations in 2021. Due to the hostilities, these risks are:
  - impairments of the value of non-financial assets,
  - lack of capabilities for conducting operations;
  - loss of control.

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

Any relevant information necessary for the evaluation of the Parent Company and Group's employment, assets, financial condition and financial performance and any changes therein, as well as any information that is relevant for the assessment of the Parent Company and Group's ability to meet its obligations has been provided for in Note 9 of the Notes to the Condensed Consolidated Financial Statements for the period of 6 months ended June 30, 2022 and in Note 4 of the Additional information to Condensed Separate Financial Statements of Trakcja S.A. for the period of 6 months ended June 30, 2022 as well as herein.

### 3. SHARES AND SHAREHOLDERS OF TRAKCJA S.A.

#### 3.1 Shareholders that held, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders of Trakcja S.A.

According to the knowledge of the Parent Company's Management Board, on the grounds of the received notifications stipulated in Article 69 of the Act on Public Offering and Conditions of Financial Instruments Introduction into an Organised Trading System and on Public Companies, the structure of Shareholders holding, directly or through the agency of subsidiaries, at least 5% of the general number of votes at the Company's General Meeting of Shareholders as on the day of submitting this report, is as follows:

Shareholders	Number of shares	% in share capital	Number of votes	% in votes at GSM
PKP PLK S.A.	250 000 000	74,31%	250 000 000	74,31%
COMSA S.A.U.	28 399 145	8,44%	28 399 145	8,44%
Agencja Rozwoju Przemysłu S.A.	16 117 647	4,79%	16 117 647	4,79%
Other	41 934 184	12,46%	41 934 184	12,46%
<b>Total</b>	<b>336 450 976</b>	<b>100,00%</b>	<b>336 450 976</b>	<b>100,00%</b>

Since the day of publication of the latest periodic report, i.e. May 27, 2022, up to the publication date hereof, the Parent Company received the following notification stipulated in Article 69 of the Act on Public Offering.

On 1 September 2022, the Company received notice from PKP PLK and IDA that the threshold of 75% of the total number of votes in the Company had been exceeded. The aforementioned change in the share of votes took place as a result of the registration on 29 August 2022 by the District Court for the Capital City of Warsaw in Warsaw, 12th Business Division of the National Court Register, of an increase in the Company's share capital through the issue of ordinary registered shares of E series, which were acquired by PKP PLK (of which the Company informed in current reports nos. 57/2022 and 59/2022).

On 2 September 2022, the Company received notice from COMSA S.A.U. on the decrease of its share in the total number of votes in the Company. The aforementioned change in the share of votes took place as a result of the registration on 29 August 2022 by the District Court for the Capital City of Warsaw in Warsaw, 12th Business Division of the National Court Register of an increase in the Company's share capital through the issue of ordinary registered shares of series E, which were acquired by PKP PLK (of which the Company informed in current report No. 60/2022).

#### Bonds convertible into shares

On 6 February 2020, the conditional increase in the Parent Company's share capital was registered by the District Court for the Capital City of Warsaw, 12th Business Division of the National Court Register. Accordingly, the share capital of the Parent was conditionally increased by an amount not greater than PLN 13,023,288.00 through the issue of not more than 16,279,110 series D ordinary bearer shares with a nominal value of PLN 0.80 each. Series D shares may be subscribed for by holders of Series F and Series G convertible bonds issued by the Company on 8 May 2020.

On June 28, 2022 the shareholder of the Company – ARP submitted a notice concerning the conclusion of the conditional agreement on the sale of the Company's shares and bonds, under which ARP committed itself to sell in favour of PKP PLK all COMSA shares at the latest by 19 May 2023. With a view of performing the agreement, ARP and PKP PLK, acting in agreement, intend to jointly announce a call for the subscription of all of the Company's shares, and ARP will be the purchaser of the shares, which is subsequently obliged to sell in favour of PKP PLK all COMSA shares and all COMSA bonds acquired by ARP pursuant to the provisions contained in the call. Detailed information was presented in current report 42/2022.

#### The tender offer for the sale of shares in Trakcja S.A. announced by ARP and PKP PLK

On 28 September 2022, the Company's shareholders ARP and PKP PLK, acting in concert, announced a tender offer for the sale of shares in Trakcja S.A. (the "Tender Offer"). The subject of the Tender Offer is 70,333,329 ordinary bearer

shares with a nominal value of PLN 0.80, representing approximately 20.90 % of the total number of shares in the Company's share capital. The Tender Offer will be conducted in two phases and will end on 8 November 2022.

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

From the date of publication of the last quarterly report, i.e. from May 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.

## 4. Related-party transactions

In the first half-year of 2022, all the transactions between the Group members were made at arm's length. Information on the transactions between the Group members is presented in Note 48 to the Condensed Consolidated Financial Statements for I half of 2022.

## 5. Information on sureties and guarantees issued and received

The table below summarises guarantees issued by the Parent Company:

Beneficiary	Value of guarantee as at 30.06.2022
PKP PLK S.A.	477 922
GDDKiA	101 865
WZDW Poznań	10 811
Gmina Olsztyn	6 047
Gmina Wrocław	4 876
Other	33 190
<b>Total</b>	<b>634 712</b>

The table below summarises guarantees received by the Parent Company:

Subcontractor	Value of guarantee as at 30.06.2022
Krakowskie Zakłady Automatyki S.A.	20 684
Sprint S.A.	6 131
Bombardier Transportation (ZWUS) Polska Sp. z o.o.	5 351
KOLEJOWE ZAKŁADY AUTOMATYKI S.A.	5 167
Keller Polska Sp. z o.o.	3 635
Other	36 982
<b>Total</b>	<b>77 950</b>

The table below summarises sureties issued by the Parent Company to subsidiaries:

	Value of surety as at 30.06.2022
to subsidiaries	950 892
<b>Total</b>	<b>950 892</b>



The table below summarises sureties issued by the subsidiaries to the Parent Company:

	Value of surety as at 30.06.2022
from subsidiaries	950 892
<b>Total</b>	<b>950 892</b>

## 6. Significant court cases

The Parent Company indicate significant proceedings pending before the court or other authority concerning the liabilities and receivables of Trakcja S.A. and its subsidiaries.

### The matter concerning the notification of a claim due from Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. in liquidation bankruptcy in Warsaw

The 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. As the District Court for Warsaw - Praga Północ in Warsaw has declared Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. the bankrupt (hereinafter: "PNI") with the possibility of entering into an arrangement, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław submitted to the bankruptcy court a notification of the Company's receivables dated 20 November 2012. The notification concerned receivables in the total amount of PLN 55,664,000.00, including principal, interest due by the date of the bankruptcy declaration and accrued contractual penalties.

To the Company's knowledge, a list of claims against PNI was drawn up. Trakcja S.A.'s receivables were recognised in the amount of PLN 10,569,000.00, including PLN 10,275,000.00 on account of unpaid invoices and PLN 295,000.00 on account of interest for delayed payment. Recognition of receivables due to contractual penalties and other claims was refused in the total amount of PLN 44,957,000.00. The Company disagrees with the refusal to recognise the above part of the claim, and accordingly, an objection was filed with the judge-commissioner regarding the refusal to recognise the claim to the above extent. The Court rejected the objection, as a result of which the Company filed an interlocutory appeal with the Court, which was dismissed. On 8 June 2015, the Company received notice from the trustee to change the bankruptcy matter from arrangement to liquidation. The case is pending and its completion date is currently difficult to predict.

### The case against Leonhard Weiss International GmbH ("LWI")

Due to LWI's failure to respond to the statement with the debit note and demand for payment dated 31 October 2017, the Company decided to take the case to court.

The Company has filed a rejoinder in response to the statement of claim against LWI for payment, in relation to the agreement for the sale of 50% of the shares in BTW sp. z o.o. At present, it is not possible to give a precise indication of the expected conclusion of the case.

The value of the claim asserted by the Company amounts to PLN 20,551,000.00 with statutory interest calculated as follows:

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

The Company also requested that the respondent be ordered to reimburse the Company for the costs of these proceedings, including the costs of legal representation, according to the prescribed norms. At the date of approval of this report for publication, it is not possible to indicate the estimated amount of possible interest and legal costs to be awarded.

### The case against ALSTAL Grupa Budowlana sp. z o.o.

On 22 May 2019, the Company filed a lawsuit against ALSTAL Grupa Budowlana sp. z o.o., with its registered office in Jacewo, for payment of PLN 557,000 plus interest on account of payment of remuneration for construction works performed as a subcontractor within the scope of the task entitled "Construction of Network Management in Wrocław" carried out by the respondent, upon the instructions of Tauron Dystrybucja S.A. On 17 November 2020, a hearing was held before the District Court in Bydgoszcz. The case is pending and its completion date is currently difficult to predict.

### Proceedings against the State Treasury - GDDKiA

On 23 December 2020, the Company, Masfalt sp. z o.o. and Akcine bendrove "Kauno Tiltai" filed a summons for arbitration against the State Treasury - General Director of National Roads and Motorways, claiming the total amount of PLN 20,453 thousand. PLN 20,453,000.00 as remuneration for the performance of the basic scope of the contract of 23 October 2017 for the design and performance of the task entitled "**Extension of the national road No. 22 on the section Czarlin – Knybawa**" and as remuneration for materials at the construction site, contractual penalty for withdrawal from the contract by the Contractor due to the fault of the Contracting Entity, remuneration for additional works and reimbursement of general construction costs in connection with the extension of the duration of the investment. In the statement of claim and the subsequent pleading, the Company modified the amount of the claim, claiming a total of PLN 19,893,000.00. In the course of the proceedings, the Contracting Entity filed a counterclaim for the amount of PLN 4,182,000.00. On 7 March 2022, in the course of arbitration proceedings, the Parties concluded a settlement agreement, by virtue of which all existing and potential mutual claims between the Contractor and the Contracting Entity under the aforementioned contract were settled and the dispute as to the liability for improper performance of the contract was waived, which resulted in the lack of risk of exclusion of the Company from tenders pursuant to Article 109(1)(5) and (7) of the PPL. As a result of concluding the settlement, the Contracting Entity paid the Company the gross amount of PLN 4,989,000.00. The conclusion of the settlement had a positive impact on the Company's and the Group's financial result for Q1 2022 in the amount of PLN 926,000.00.

On 30 December 2020, the Company and Przedsiębiorstwo Usług Technicznych Intercor sp. z o.o. filed a lawsuit against the State Treasury - General Director of National Roads and Motorways, claiming a total amount of PLN 23,861,000.00 as reimbursement of general construction costs in connection with the extension of the performance time of the agreement of 12 October 2015 for the design and construction of the task entitled 'Design and construction of the S-5 expressway on the section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeship with division into 4 parts. Part 4 - Design and construction of the **S-5 expressway along the section from Szubin junction (with junction) to Jaroszewo junction** (with junction) with a length of approximately 19.3 km", as a lump sum for the extension of the time for completion, reimbursement of the costs of performing additional land improvements and capitalised interest. The case is at an early stage of the proceedings and its completion date is difficult to predict.

On 31 December 2020, the Company and Przedsiębiorstwo Usług Technicznych Intercor sp. z o.o. filed a lawsuit against the State Treasury - General Director of National Roads and Motorways, claiming an increase in remuneration for the performance of the agreement of 12 October 2015 for the design and construction of the task entitled 'Design and construction of the S-5 expressway on the section Nowe Marzy - Bydgoszcz - border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeships with division into 4 parts. Part 4 - Design and construction of **S-5 expressway along the section from Szubin junction (with junction) to Jaroszewo junction** (with junction) with the length of approx. 19.3 km" by the amount of PLN 33,634 thousand and awarding the amount of PLN 33,634,000.00 with statutory interest for delay. The case is at an early stage of proceedings and its completion date is difficult to predict.

Notwithstanding the above, the Company informs that on 24 February 2022, the Company received a letter from GDDKIA Bydgoszcz informing that the consortium was charged with a contractual penalty of PLN 42,293,000.00 for exceeding the Time for Completion of Works. The Company sent back the note, indicating that there was no factual or legal basis for the contractual penalty. The Company has not recognised the impact of the above note in its financial results to date.

### Proceedings against the Wielkopolskie Voivodeship - Wielkopolskie Zarząd Dróg Wojewódzkich in Poznań ("WZDW in Poznań")

On 15 July 2021, the Company filed a lawsuit against WZDW in Poznań for payment of PLN 9,973,000.00 as compensation of the loss incurred due to the actions of WZDW in Poznań. The dispute relates to the contract of 17 October 2018 for the implementation of the task entitled "**Extension of voivodeship road no. 263** on the section from the intersection with DP 3403P in the town of Drzewce to the intersection with DW473 in the design and build system." The case is currently under mediation between the parties.

On 15 July 2021, the Company and its subsidiary AB Kauno Tiltai filed a lawsuit against WZDW in Poznań for payment of PLN 11,702,000.00 for compensation of the loss incurred due to the actions of WZDW in Poznań. The dispute relates to the contract of 24 August 2018 for the implementation of the task entitled "**Extension of voivodeship road No. 190** along the section from the intersection with voivodeship road No. 188 in Krajenka to the intersection with national road No. 10 - stage I in the design and build system". The case is at an early stage of proceedings and its completion date is difficult to predict.

### Proceedings against PKP PLK

In connection with the conclusion of settlements with PKP PLK on 28 June 2022, the previously reported court cases were concluded amicably:

- case in connection with the performance of the agreement of 16 December 2010 for the Design and performance of construction works on the railway line Kraków - Medyka - State border on the section **Dębica - Sędziszów Małopolski** at km 111.500 - 133.600 within the framework of OPI&E Project 7.1-30 "Modernisation of railway line E30/C-e 30, section Kraków - Rzeszów, stage III". Tender 2.2, the value of the subject of the dispute amounts to PLN 6,675,000.00;
- case related to the performance of agreement of 29 November 2010 for the Design and performance of construction works on the railway line Krakow - Medyka - State border along the section **Sędziszów Małopolski Rzeszów Zachodni** within the framework of the Project "Modernization of railway line E3-/C-E 30, section Krakow - Rzeszów, stage III" Tender 2.3, the value of the subject of the dispute amounts to PLN 20,935,000.00;
- case in connection with the performance of the following agreements: of 16 December 2010 for the Design and performance of construction works on the railway line Krakow - Medyka - State border along the section **Dębica - Sędziszów Małopolski** at km 11.500 - 133.600 of the OPI&E Project 7.1-30 "Modernisation of the railway line E 30/C-E 30, section Krakow - Rzeszow, stage III". Tender 2.2 and of 29 November 2010 for the Design and performance of construction works on the railway line Krakow - Medyka - State border on the section **Sędziszów Małopolski - Rzeszów Zachodni** within the framework of the Project "Modernisation of railway line E3-/C-E 30, section Krakow - Rzeszów, stage III" Tender 2.3, the value of the subject of the dispute amounts to PLN 12,221,000;
- case in connection with the performance of the agreement of 5 October 2015 for the Continuation of modernisation works on the E59 railway line (track and subgrade and perimeter works) within the framework of OPI&E Project 7.1-5.1 "Modernisation of the E59 railway line on the section Wrocław - Poznań, stage III, Czempin - Poznań section", the value of the subject of dispute amounts to PLN 14 602 thousand;
- case in connection with the performance of the agreement of 14 March 2017 for the Design and performance of construction works along the section **Poznań Wschód - Mogilno** from km 0.265 km to 73.00 km, the value of the subject of the dispute amounts to PLN 632,000.00;
- case in connection with the performance of the agreement of 2 November 2010 for the Design and performance of construction works on the railway line Krakow - Medyka - state border on the section **Podłęże - Bochnia** from km 16.000 to 39.000 of the Project "Modernisation of the railway line E30/C-E30, section Krakow - Rzeszów, stage III". Tender 1.1, the value of the subject of the dispute amounts to PLN 84,121,000.00.

On 31 October 2017, the Company, together with Przedsiębiorstwo Budowlanym "FILAR" sp. z o.o. with its registered office in Wrocław and Berger Bau Polska sp. z o.o. with its registered office in Wrocław, filed a lawsuit for payment against PKP PLK claiming reimbursement of additional costs related to the extension of time for the performance of the agreement for Basic Line Construction Works along the section Wrocław - Grabiszyn - Skokowa and Żmigród -

border of Dolnośląskie Voivodeship as part of the OPI&E 7.1-4 project "Modernisation of the E 59 railway line on the section Wrocław - Poznań, Stage II - section Wrocław - border of the Dolnośląskie Voivodeship". On 29 March 2018, the claim was extended in the course of the case by the claims of another subcontractor - INFRAKOL sp. z o.o. sp. k. The portion of the claim attributable to Trakcja amounts to PLN 11,640,000.00 (including PLN 1,416 thousand for interest). On 25 March 2022, the court issued a judgment dismissing the claim. An appeal has been lodged in the case. The case is currently in inter-instance proceedings.

On 3 April 2019, the Company filed a lawsuit for payment against PKP PLK claiming the amount of PLN 1,320,000.00 with statutory interest for delay, for:

- a) reimbursement of additional costs resulting from the extension of the performance of the contract for the Construction of engineering facilities at km 160.857; km 155.170 and km 145.650 of the railway line No. 271 Wrocław - Poznań, as part of OPI&E Project 7.1-5.1 "Modernisation of railway line E 59 on section Wrocław - Poznań, Stage III - Czempin - Poznań section". - within the scope of Partial Contract A - railway viaduct at km 145.650 in the town of Mosina, due to circumstances that are within the responsibility of PKP PLK;
- b) reimbursement of the costs of performing additional works by the Company, not provided for in the Contractor's offer for the contract in question.

The case is pending and its completion date is currently difficult to predict.

On 2 April 2019, the Company filed a lawsuit for payment against PKP PLK, claiming the amount of PLN 489,000, together with statutory interest for delay, for reimbursement of additional costs resulting from the extension of the performance of the contract for the Construction of engineering facilities at km 160.857; km 155.170 and km 145.650 of the railway line No. 271 Wrocław - Poznań, as part of OPI&E project 7.1-5.1 "Modernisation of railway line E 59 on the section Wrocław - Poznań, Stage III - section **Czempin - Poznań**" - **within the framework of Partial Contract C** - railway viaduct at km 160.857 in Poznań, due to circumstances within the responsibility of PKP PLK. The case is pending and its completion date is currently difficult to predict.

On 13 June 2019, the Company filed a lawsuit against PKP PLK together with a motion to secure the Company's claims, the object of which is to determine the content of the Company's obligation relations under the agreements:

1. of 16 December 2010 for the "Design and performance of construction works on the railway line Kraków - Medyka - State border on the section **Dębica - Sędziszów Małopolski** at km 111.500 - 133.600 within the framework of OPI&E Project 7.1-30 "Modernisation of railway line E30/C-E 30, section Kraków - Rzeszów, stage III" Tender 2.2, and
2. of 29 November 2010 for the "Design and performance of construction works on the railway line Kraków - Medyka - State border on the section **Sędziszów Małopolski - Rzeszów Zachodni** within the framework of the Project "Modernisation of railway line E3-/C-E 30, section Kraków - Rzeszów, stage III" Tender 2.3. The disputed circumstance in the case is the necessity of issuing a declaration of conformity with the type for devices or structures pursuant to the Railway Transport Act and correctness of designing and performance of acoustic screens.

The value of the subject of the dispute established for the purposes of the court proceedings amounts to PLN 12,301,000.00. On 10 September 2021, the Court issued a judgment dismissing the claim in its entirety. The Company appealed against the verdict in the part referring to the correctness of construction of acoustic screens. The Company's appeal was dismissed and the case was finally disposed of.

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

- a) determination of the invalidity of the provision of sub-clause 8.7(a) of the Special Conditions of Contract with regard to the agreement of 24 July 2018 for the design and performance of works under the project **Construction of the Szczecin Metropolitan Railway** using the existing sections of railway lines Nos. 406, 273, 351 - Task A titled "Modernization of railway line No. 406 using the section Szczecin Główny-Police". "Modernisation of railway line no. 406 on the section Szczecin Główny-Police" and the agreement of 24 July 2018 for the design and performance of works within the project Construction of the Szczecin Metropolitan Railway with the use of existing sections of railway lines nos. 406, 273, 351 - task B entitled "Modernisation of selected passenger infrastructure on railway lines nos. 273, 351 and 401";
- b) establishing that on the basis of the above contracts, there is no obligation on the part of Trakcja as a contractor to perform certain works and design works.

The value of the subject matter of the dispute established for the purposes of the court proceedings amounts to PLN 229,795.00. The case is at an early stage of the proceedings and its completion date is difficult to predict.

On 30 December 2021, the Company, together with the consortium members, filed a statement of claim against PKP PLK seeking payment of PLN 54,087,000.00, including statutory interest for the amount of PLN 5,087,000.00. PLN, together with statutory interest for delay, for claims related to the railway investment 'Implementation of construction works under Tender No. 1 Modernisation of Jaworzno Szczakowa - Trzebinia section (km 1.150 - 0.000 of line No. 134, km 15.810 - 29.110 of line No. 133)' as part of the project 'Modernisation of railway line E 30, section Zabrze - Katowice - Kraków, Stage IIB'. The claims include:

- a) claims relating to the extended performance of the contract;
- b) a claim relating to the contractual valorisation of the contract price;
- c) additional and surrogate works that were performed on behalf of the Respondent;
- d) claims relating to the lack of cooperation of the Contracting Entity, i.e. in particular claims relating to the lack of track closures, delay in acceptance.

The case is ongoing and at present its completion date is difficult to predict.

#### **Continuation of claims negotiations**

In the first half of 2022, Trakcja Management continued negotiations with PKP PLK in order to settle the litigation amicably. As a result of mediations conducted with the contracting entity PKP PLK with the participation of the mediator of the Court of Conciliation at the State Treasury Solicitor's Office of the Republic of Poland concerning claims of the Parent Company against PKP PLK resulting from pending court proceedings and claims of PKP PLK against the Parent resulting from the development of foundation piles, the Parent Company concluded settlements with PKP PLK.

By virtue of the settlements, all mutual claims between Trakcja and PKP PLK were settled, according to which, as a result of mutual settlements, the Company will receive from PKP PLK a gross payment of PLN 41.8 million.

The conclusion of the settlements had a negative impact on the financial result of the Company and the Group in the amount of PLN 0.6 million. The cash inflow to the Company from the settlements, after taking into account the necessary payments, amounted to PLN 34.1 million.

On 2 August 2022, the Parent Company and PKP PLK received a court order approving the last of the concluded settlements and discontinuing the court cases covered by the settlements. Detailed information was presented in current reports nos. 45/2022 and 52/2022.

As of 30 June 2022, the value of the remaining contractual claims which the Parent Company, together with its consortium partners and subcontractors, is pursuing on a contractual (out-of-court) basis (including valorisation claims) amounts to PLN 409 million, of which the amount attributable to Trakcja amounts to PLN 343 million.

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

Note 9 of the condensed consolidated financial statements for the first half of 2022 and Note 4 of the condensed individual financial statements for the first half of 2022 describe in detail the Parent Company's going concern risk.

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

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

- risk of loss of managerial and engineering staff,
- currency risk,
- risk associated with the volatility of prices for materials,
- interest rate risk,
- risk associated with the joint and several liability of the construction consortia members and with the liability for subcontractors,
- risk related to potential penalties for failure to complete contracts,
- risk of underestimating the project costs,
- risk of rising prices of building materials,
- risk related to the implementation of construction contracts,
- risk related to obtaining new contracts,
- risk related to supply logistics,
- risk related to the conditions and procedures for the settlement of tenders and the implementation of projects,
- 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 and going concern risk (described in the note 9 to the additional information and explanations to the condensed consolidated financial statements for the I half-year of 2022 and note 4 to the additional information and explanations to the condensed financial statements for the I half-year of 2022),
- risk related to the implementation of the strategy,
- risk related to the approach of the financial sector to companies in the construction industry,
- risk related to obtaining financing for the implementation of construction contracts and obtaining contract guarantees,
- risk related to weather conditions,
- risk related to changes in the law, including tax law,
- risk related to the impact of war in Ukraine (more information in Note 2.7 herein),
- risk related to further growth of COVID-19 pandemic (more information in Note 2.7 herein).

Warsaw, September 30, 2022

*Management Board:*

Jakub Lechowicz  
  
President of the  
Management Board

Piotr Mechecki  
  
Vice-President of the  
Management Board

Bartłomiej Cygan  
  
Member of the  
Management Board



## MANAGEMENT BOARD'S STATEMENT

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

- the condensed consolidated financial statements of Trakcja Group for a of 6-month period ended June 30, 2022 and the comparable data, have been drawn up in compliance with the accounting principles in force and reflect the Group's assets and financial condition as well as its financial performance in a true, reliable and clear manner.
- the condensed financial statements of Trakcja for a of 6-month period ended June 30, 2022 and the comparable data, have been drawn up in compliance with the accounting principles in force and reflect the Company's assets and financial condition as well as its financial performance in a true, reliable and clear manner.,
- the report of the Management Board on the activities of Trakcja Group for a of 6-month period ended June 30, 2022 and the comparable data, presents a true picture of the Group's development, achievements, risks, threats and condition.

Jakub Lechowicz

President of the  
Management Board

Piotr Mechecki

Vice-President of the  
Management Board

Bartłomiej Cygan

Member of the  
Management Board

Warsaw, September 30, 2022