TRAKCJA

RAILWAY
ROADS
CIVIL

STANDALONE ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Management Board of Trakcja S.A. approved the annual financial statements of Trakcja S.A. for the period from 1 January 2021 to 31 December 2021.

The annual financial statements for the period from 1 January 2021 to 31 December 2021 were prepared in accordance with the International Financial Reporting Standards ("IFRSs") approved by the European Union, published and applicable as at 31 December 2021. Information included herein is presented in the following sequence:

1. Income statement for the period from 1 January 2021 to 31 December 2021, showing a net profit of PLN **3,855** thousand.
2. Statement of comprehensive income for the period from 1 January 2021 to 31 December 2021, showing positive total comprehensive income of PLN **3,855** thousand.
3. Balance sheet as at 31 December 2021, showing the total assets and total equity and liabilities of PLN **1,053,863** thousand.
4. Statement of cash flows for the period from 1 January 2021 to 31 December 2021, showing an increase in net cash by PLN **9,925** thousand.
5. Statement of changes in equity for the period from 1 January 2021 to 31 December 2021, showing an increase in equity by PLN **4,089** thousand.
6. Notes.

The annual financial statements have been drawn up 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

Paweł Nogalski
Vice-President of the Management Board

Arkadiusz Arciszewski
Vice-President of the Management Board

Piotr Mechecki
Vice-President of the Management Board

Jacek Gdański
Vice-President of the Management Board

Warsaw, April 27, 2022

TABLE OF CONTENTS

INCOME STATEMENT **5**
STATEMENT OF COMPREHENSIVE INCOME **6**
BALANCE SHEET **7**
STATEMENT OF CASH FLOWS **8**
STATEMENT OF CHANGES IN EQUITY **9**
NOTES **10**
1. General information **10**
1.1. Background information on the Company 10
1.2. Group structure 12
1.3. Management Board 16
1.4. Supervisory Board 17
1.5. Basis for preparation of the financial statements 17
1.6. Standards and amendments to standards issued by the IASB 19
1.8. Selected financial data 33
2. Notes to the income statement **35**
2.1. Sales revenue 35
2.2. Operating expenses 42
2.3. Other operating revenues 43
2.4. Other operating costs 44
2.5. Financial revenues 44
2.6. Financial costs 45
2.7. Income tax 45
2.8. Discontinued operations 49
2.9. Earnings (loss) per share 49
3. Notes to the balance sheet **51**
3.1. Tangible fixed assets 51
3.2. Intangible assets 55
3.3. Investment properties 57
3.4. Investments in subsidiaries 62
3.5. Jointly controlled activity – contracts under consortium agreements 67
3.6. Other financial assets 69
3.7. Prepayments and accruals 70
3.8. Inventories 71
3.9. Trade and other receivables 72
3.10. Cash and cash equivalents 75
3.11. Settlements under contracts with customers 76
3.12. Assets held for sale 78
3.13. Equity 79
3.14. Dividends paid and declared 82
3.15. Interest-bearing loans and borrowings 82
3.16. Bonds 88
3.17. Provisions 89
3.18. Employee benefit liabilities 91
3.19. Capital risk management 93
3.20. Trade and other liabilities 93
3.21. Lease liabilities – Company as a lessee 94
3.22. Information on financial instruments 96
3.23. Balance sheet items measured at fair value 104
4. Notes to the statement of cash flows **105**
4.1. Differences between balance sheet and statement of cash flows items 105
4.2. Cash and cash equivalents disclosed in the statement of cash flows 105

5. Other information 106
5.1. Contingent receivables and liabilities 106
5.2. Information on guarantees and sureties granted and assets pledged as collateral 106
5.3. Significant disputed and court cases 107
5.4. Information on related parties 115
5.5. Information on benefits for key personnel 117
5.6. Significant events during the financial year and after the balance sheet date 118
5.7. Financial statements in high inflation periods 125
5.8. Headcount 126
5.9. Assets and liabilities of the company's social benefits fund (ZFŚS) 126
5.10. Information on the statutory auditor 126

INCOME STATEMENT

	Year ended	
	31.12.2021	**31.12.2020**
	Audited	**Modified***
Continued operations		
Sales revenue	792 762	652 753
Cost of goods sold	(777 471)	(677 253)
Gross profit (loss) on sales	**15 291**	**(24 500)**
Cost of sales, marketing and distribution	(2 420)	(2 403)
General and administrative costs	(30 604)	(27 724)
Other operating revenues	25 159	5 188
Other operating costs	(5 056)	(5 118)
Operating profit (loss)	**2 370**	**(54 557)**
Financial revenues	52 354	2 613
Financial costs	(45 221)	(27 142)
Gross profit (loss)	**9 503**	**(79 086)**
Income tax	(5 648)	8 605
Net profit (loss) from continued operations	**3 855**	**(70 481)**
Net profit for the period	**3 855**	**(70 481)**
Profit per share attributable to shareholders in the period (PLN per share)		
- basic	0,04	(0,82)
- diluted	0,05	(0,72)

**The restatement in 2020 relates to the reclassification of costs between costs of sale, marketing and distribution as well as general management and administrative costs on one hand and own cost of sales on the other hand in the period between January 1, 2020 and June 30, 2020 (for more information, see section 1.6 heroef)*

STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Net profit for the period	**3 855**	**(70 481)**
Other comprehensive income:		
Other comprehensive net income that will be reclassified to profit or loss:	**-**	**24**
Foreign exchange differences on translation of foreign operations	-	24
Total other comprehensive income	**-**	**24**
Total comprehensive income for the period	**3 855**	**(70 457)**

BALANCE SHEET

	Note	31.12.2021 Audited	31.12.2020 Modified*	01.01.2020 Modified*
ASSETS				
Non-current assets		**586 458**	**614 064**	**614 028**
Tangible non-current assets	3.1	143 872	158 946	167 605
Intangible assets	3.2	51 170	51 255	50 510
Investment properties	3.3	25 456	23 981	19 789
Investments in subsidiaries	3.4	288 940	307 453	311 308
Other financial assets	3.6	17 041	6 241	8 340
Deferred tax assets	2.7	54 352	59 765	51 162
Accruals	3.7	5 627	6 423	5 314
Current assets		**467 405**	**520 523**	**614 433**
Inventory	3.8	52 176	46 494	64 720
Trade and other receivables	3.9	230 625	307 855	297 327
Other financial assets	3.6	3 333	8 481	11 777
Cash and cash equivalents	3.10	16 618	6 693	47 514
Accruals	3.7	11 220	8 862	12 813
Contracts with customers assets	3.11	153 433	137 101	175 245
Assets held for sale	3.12	-	5 037	5 037
TOTAL ASSETS		**1 053 863**	**1 134 587**	**1 228 461**
Equity and Liabilities				
Equity	3.13	**283 734**	**279 645**	**349 925**
Share capital		69 161	69 161	69 161
Share premium account		199 160	269 641	340 561
Revaluation reserve		6 082	7 082	7 082
Other capital reserves		391	391	391
Retained earnings		8 940	(66 630)	(67 246)
Foreign exchange differences on translation of foreign operations		-	-	(24)
Total equity		**283 734**	**279 645**	**349 925**
Long-term liabilities		**335 228**	**294 482**	**204 242**
Interest-bearing loans and borrowings	3.15	303 875	263 881	199 909
Bonds	3.16	28 451	27 832	-
Provisions	3.17	2 485	2 289	3 102
Liabilities due to employee benefits	3.18	417	480	1 231
Short-term liabilities		**434 901**	**560 460**	**674 294**
Interest-bearing loans and borrowings	3.15	77 856	94 610	159 479
Bonds	3.16	196	194	-
Trade and other liabilities	3.20	244 995	302 052	293 598
Provisions	3.17	24 300	42 133	86 440
Liabilities due to employee benefits	3.18	9 248	9 658	7 867
Accruals	3.7	1 099	716	455
Contracts with customers liabilities	3.11	77 207	111 097	126 455
TOTAL EQUITY AND LIABILITIES		**1 053 863**	**1 134 587**	**1 228 461**

**The restatement as at 31.12.2020 as well as at 01.01.2020 relates to the presentation changes in equity (more information in Note 1.6 herein).*

STATEMENT OF CASH FLOWS

	Note	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Cash flows from operating activities			
Gross profit from continued operations		**9 503**	**(79 086)**
Adjustments for:		**(111 255)**	**33 731**
Depreciation		19 731	20 221
FX differences		(55)	1 479
Net interest and dividends		(33 080)	12 517
(Profit)/loss on investment activities		(3 431)	2 442
Change in receivables	4.1	38 016	(12 102)
Change in inventory		(5 682)	18 226
Change in liabilities, excluding loans and borrowings	4.1	(57 717)	9 532
Change in prepayments and accruals		(1 179)	3 105
Change in provisions		(17 637)	(45 119)
Change in settlements in contracts		(50 222)	22 785
Income tax paid		-	(2)
Other		1	647
Net cash flows from operating activities		**(101 752)**	**(45 355)**
Cash flows from investment activities			
Purchase of intangible assets		(644)	(1 407)
Sale of tangible non-current assets		80 743	2 620
Purchase of tangible non-current assets		(2 345)	(2 760)
Sale or returned financial assets		670	5 750
Purchase of financial assets		(3 890)	(201)
Returned loans		-	15 000
Granted loans		(2 200)	(15 200)
Dividend received		30 720	-
Net cash flows from investment activities		**103 054**	**3 802**
Cash flows from financial activities			
Net proceeds from bond issues		-	20 000
Proceeds on account of taken borrowings and loans		124 803	39 978
Repayment of borrowings and loans		(86 721)	(29 184)
Interests and commissions paid		(13 274)	(13 533)
Payment of liabilities under financial lease agreements		(16 185)	(16 529)
Net cash flows from financial activities		**8 623**	**732**
Total net cash flows		**9 925**	**(40 821)**
Cash at start of period		**6 693**	**47 514**
Cash at end of period	4.2	**16 618**	**6 693**
- with limited access	4.2	8 344	-

Cash with limited access in the amount of PLN 8,344 thousand comprises cash with limited access on bank accounts.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals	Retained earnings	Foreign exchange differences on translation of foreign operations	Total
As at 1.01.2021 Modified*	**69 161**	**269 641**	**7 082**	**391**	**(66 630)**	**-**	**279 645**
Net profit for the period	-	-	-	-	3 855	-	3 855
Total comprehensive income	**-**	**-**	**-**	**-**	**3 855**	**-**	**3 855**
Distribution of profit	-	(70 481)	-	-	70 481	-	-
Sale or liquidation of fixed assets revalued to fair value	-	-	(1 000)	-	1 234	-	234
As at 31.12.2021 Audited	**69 161**	**199 160**	**6 082**	**391**	**8 940**	**-**	**283 734**
As at 1.01.2020 Modified*	**69 161**	**340 561**	**7 082**	**391**	**(67 246)**	**(24)**	**349 925**
Net profit for the period	-	-	-	-	(70 481)	-	(70 481)
Other comprehensive income	-	-	-	-	-	24	24
Total comprehensive income	**-**	**-**	**-**	**-**	**(70 481)**	**24**	**(70 457)**
Distribution of profit	-	(70 920)	-	-	70 920	-	-
Issue of bonds convertible into shares	-	-	-	-	178	-	178
As at 31.12.2020 Modified*	**69 161**	**269 641**	**7 082**	**391**	**(66 630)**	**-**	**279 645**

**The restatement comprises presentation change of equity (more information in Note 1.6 hereof)*

NOTES

1. General information

1.1. Background information on the Company

These standalone financial statements of the Group comprise the financial year ended December 31, 2021 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 PRKiI S.A.
29.07.2020 - now	**Trakcja S.A.**

The Company shall specialize in the following activities:

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

- construction and modernization of tram and trolleybus infrastructure.

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

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

1.2. Group structure

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

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

Accounting principles

Control of related parties

Subsidiaries are consolidated using full consolidation from the date of acquisition, which is the date on which control of the company is acquired, until the date of loss of that control. Control occures when a parent company, by virtue of its involvement in the entity, is exposed to or entitled to variable returns and is able to influence the amount of those returns by exercising power over the entity.

Acquisition of control of a business entity shall be accounted for by the acquistion method. As at the date of acquisition, the identifiable assets acquired and liabilities assumed of the acquiree within the meaning of IFRS 3 shall be measured at their fair value. The excess of the cost of acquisition (the consideration transferred measured at fair value, the amount of any non-controlling interest in the acquiree measure in accordance with IFRS 3 and, in the case of business combination in stages, the fair value at the acquisition date of the previously held interest) over the net amount determined at the acquisition date of the fair value of the identifiable assets acquired and liabilities assumed is recognised as goodwill. If the cost of acquisition is less than the net amount determined at the acquisition date of the fair value of the identifiable assets acquired and liabilities assumed, the difference is recognised as profit and loss at the acquisition date (bargain acquisition profit). Transaction costs are recognised in the income statement at the time of incurrence. Non-controlling interests shall be measured at the time of acquisition at the proportional share of the net assets of the subsidiary or at fair value. If control of a subsidiary is lost during a reporting period, the consolidated financial statements recognise the results for that part of the reporting year in which the parent had such control.

Professional judgment, estimates and assumptions

Control over subsidiaries

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

- Trakcja is the sole shareholder in PRK 7 Nieruchomości sp. z o.o. and has full control over the subsidiary. Trakcja S.A. has become the shareholder in PRK 7 Nieruchomości as a result of the merger between Trakcja S.A. and PRK 7 S.A. which in turn owned PRK 7 Nieruchomości sp. z o.o.
- Trakcja holds 100% of shares in Bahn Technik Wrocław sp. z o.o. and has full control over the subsidiary. Trakcja S.A. has become the shareholder in BTW through the acquisition of the remaining 50% of shares therein on 30 December 2016. Trakcja has become the owner of BTW through the acquisition of its shares.
- Trakcja holds 82.35% of shares in Torprojekt sp. z o.o. and has full control over the subsidiary. Trakcja S.A. has become the owner of Torprojekt through the acquisition of its shares.
- Trakcja holds 99.70% of shares in PEUiM sp. z o.o. and has full control over the subsidiary. Trakcja S.A. has become the owner of PEUiM through the acquisition of its shares.
- Trakcja holds 100% of shares in Dalba sp. z o.o. and has full control over the subsidiary. Trakcja S.A. has become the owner of Dalba through the acquisition of its shares.
- Trakcja holds 94.62% of shares in PDM S.A. and has full control over the subsidiary. Trakcja S.A. has become the owner of PDM through the acquisition of its shares.
- Trakcja holds 98.09% of shares in AB Kauno Tiltai and has full control over the subsidiary. Trakcja has become the owner of AB Kauno Tiltai, which is the parent company of AB Kauno Tiltai Group, through the acquisition of its shares. The Group's composition and shareholdings are presented in Note 2 on the Group composition and structure.

As at December 31, 2021 the Group consists of the Parent Company Trakcja S.A. and its subsidiaries.

Fully-consolidated entities in the consolidated financial statement of Trakcja Group:

BTW Sp. z. o.o. ("BTW")

The BTW's business activities include thermite welding, repairing and renovating turnouts, renovating railway and tramway crossings, providing pre-stressed, glued insulation joints type S, welding tram and railway tracks, tamping and profiling railway and tramway tracks, and selling Perker SR rail lubrication systems. BTW has been also equipped with a GOTTWALD crane and a DGS track stabilizer.

PRK 7 Nieruchomości sp. z o.o. (“PRK 7 Nieruchomości”)

PRK 7 Nieruchomości based in Warsaw, carries out real estate development activities and has a track record of several successful investment projects, which include, in particular, Husa Park in Warsaw - four-storey multi-family building. The company is currently also carrying capacity construction projects, inter alia execution of construction works for Akademia Pedagogiki Specjalnej im. Marii Grzegorzewskiej in Warsaw.

Torprojekt sp. z o.o. ("Torprojekt")

Torprojekt with its registered office in Warsaw was established in 2009. Torprojekt sp. z o.o. specializes in preparing comprehensive project documentation, including feasibility studies, concepts, basic designs, also construction designs, tender documents and detailed designs for railway lines, stations, nodes, passenger stops and loading points, bridges, viaducts, railway traffic control devices, buildings and structures, including technology infrastructure, etc.

Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o. (“PEUiM”)

PEUiM operates in the road construction sector and its business activities are concentrated in the north-east of Poland. The company was established in Białystok in 1992. The company specializes in the complex construction and repair of urban streets and non-urban roads, together with the complete technical infrastructure accompanying these facilities, both on the ground and underground. In addition, the Company is active in the production of bitumen bounds for its own needs and for the needs of outside entities.

Dalba sp. z o.o. (“Dalba”)

The company with its registered office in Białystok, whose activities involve the performance of engineering works, mainly, during the construction of sanitary infrastructure of roads and streets.

Platforma Działalności Międzynarodowej S.A. ("PDM")

The company with its registered office in Bialystok, is active in the execution of construction works and the acquisition of employees, mainly from the market of Eastern Europe. The company additionally provides rental services for equipment and property for external companies.

Branch of Trakcja S.A. in Ukraine

On 2017 Trakcja S.A. opened an establishment in Ukraine. The company did not operate between 2020 and 2021.

Trakcja Ukraina sp. z o.o. (“Trakcja Ukraina”)

On December 30, 2021, the Management Board of PDM decided to immediately sale shares in the subsidiary Trakcja Ukraina sp. z o.o. The Group expects the sale of the shares to take place within 12 months of the date of the decision. In the Group's opinion, the criteria contained in the paragraphs 6-9 of IFRS 5 was therefore met and as at December 31, 2021, the Group classified all assets and liabilities of that subsidiary as held for sale.

AB Kauno Tiltai Group

AB Kauno Tiltai is the largest company in the road and bridge construction sector in the Baltic countries. It specializes in the construction and reconstruction of roads, bridges, tunnels, railways, airports, water ports, which is demonstrated, inter alia, by the fact that since its establishment, i.e. since 1949, AB Kauno Tiltai has constructed over 100 bridges and viaducts and has been responsible for constructing and reconstructing numerous roads in Lithuania.

AB Kauno Tiltai with its registered office in Kaunas is a subsidiary of the Company, Trakcja S.A., and simultaneously the parent company in AB Kauno Tiltai Group.

AB Kauno Tiltai Group is composed of the following entities:

- UAB Kelda – a subsidiary with its registered office in Vievis (Lithuania); the company's subsidiary is:
  - UAB Verksioniu karjeras – a subsidiary with its registered office in Bagoteliu K (Lithuania);
- TUB Konsorciumas Tiltra – a subsidiary with its registered office in Kaunas (Lithuania);
- AB Kauno Tiltai Branch in Poland – a branch of AB Kauno Tiltai with its registered office in Białystok (Poland);
- AB Kauno Tiltai Branch in Latvia – a branch of AB Kauno Tiltai with its registered office in Rēzekne (Latvia);
- AB Kauno Tiltai Branch in Ukraine – a branch of AB Kauno Tiltai with its registered office in Kiev (Ukraine);
- AB Kauno Tiltai Branch in Sweden- – a branch of AB Kauno Tiltai with its registered office in Norsborg (Sweden);
- AB Kauno Tiltai Sverige – a subsidiary with its registered office in Malmö (Sweden);
- AB Kauno Tiltai TUB konsorciumas Tiltra – branch in Poland;
- UAB "Transporto infrastruktura" – a subsidiary with its registered office in Vilnius (Lithuania).

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

Changes in the Group's structure

On March 9, 2021, in line with the decision of October 20, 2020, the liquidation process of UAB Taurakelis and UAB Kedainiu Automobiliu Keliai, which formed a part of the AB Kauno Tiltai Group, was completed.

Furthermore, on August 4, 2021 the registration court registered the change in the name of the subsidiary of Trakcja S.A., from "Bahn Technik Wrocław" limited liability company to "BTW" limited liability company.

On December 30, 2021, the subsidiary of Trakcja – PDM S.A. decided on immediately sale of shares in the subsidiary Trakcja Ukraina sp. z o.o. based in Kiev, Ukraine. 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 carry out significant operating activities and its net assets as at 31 December 2021 were negative.

During the period of 2021 and after the balance sheet date, no changes, other than those described above, occurred in the structure of the Trakcja Group, including the result of a business merger, acquisition or loss of control of subsidiaries and long-term investments, as well as the division, restructuring or discontinuation of activities.

Changes after the balance-sheet date until the publication date:

After the balance sheet date and before the date of approval of these financial statements for publication, there were no changes in the structure of the Group.

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 significant influence on the Company's and the Trakcja Group financial statements.

1.3. Management Board

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

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

In 2021 the following changes took place in the composition of the Management Board of the Company:

On May 31, 2021, the Supervisory Board of the Company, pursuant to Article 16(2)(1) in conjunction with Article 18(2)(1) of the Statute of the Company, adopted resolutions by virtue of which it appointed the existing four members of the Management Board of the Company, i.e.: Marcin Lewandowski, Paweł Nogalski, Aldas Rusevičius and Arkadiusz Arciszewski, for a new common term of office.

On 29 June 2021, the shareholder of the Company, the Industrial Development Agency S.A. ("ARP"), acting under Article 18.2(2) and (3) of the Statute of the Company, made a written declaration of the appointment for the next term of office of Mr. Robert Sobków as a member of the Management Board responsible for the area of internal audit and Mr. Adam Stolarz as a member of the Management Board responsible for the area of key clients of the Company.

On August 10, 2021 Mr. Robert Sobków made a statement on termination of the managerial contract with the Company, giving 3 months' notice. On August 19, 2021 Mr. Robert Sobków resigned as a member of the Company's Management Board with effect as at August 19, 2021.

As at the day of the publication of the report, the Company's Management Board was composed of the following members:

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

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

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

1.4. Supervisory Board

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

- Dominik Radziwiłł - Chairman of the Supervisory Board;
- Jorge Miarnau Montserrat - Deputy Chairman of the Supervisory Board;
- 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.

In 2021 the following changes took place in the composition of the Supervisory Board of the Company:

1. On 27 July 2021, the Company received a statement by the shareholder of COMSA, according to which, as at July 27, 2021:
   - Mr. Fernando Perea Samarra was revoked from the function of a Member of the Supervisory Board of the Company, and
   - Mr. Julio Alvarez Lopez was appointed a Member of the Supervisory Board of the Company.
2. on September 10, 2021, by the resolution of the Extraordinary General Meeting of the Company:
   - Mr. Michał Hulbój was revoked from the function of a Member of the Supervisory Board of the Company, and
   - Mrs. Magdalena Komaracka was appointed a Member of the Supervisory Board of the Company.

After the balance sheet date, there were no other changes in the composition of the Supervisory Board until the date of publication of these financial statements.

1.5. Basis for preparation of the financial statements

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

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

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

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 1.8 to these financial statements.

Moreover, for the purpose of financial reporting, fair value measurements are categorised into three levels depending on the degree to which the inputs used to measure fair value are observable and their significance to the entire measurement. These levels are as follows:

- Level 1: Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2: Level 2 inputs are inputs other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly,

- Level 3: Level 3 inputs are unobservable inputs for the asset or liability.

Approval of the standalone annual financial statements for publication

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

Statement of compliance

The standalone annual financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRSs") approved by the European Union, published and applicable as at 31 December 2021. The IFRSs comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Any standards other than those that were in force as at 31 December 2021 and were approved by the EU as at the preparation hereof are described in Note 1.6. The effect of application of new accounting standards and changes in accounting policy is described in Note 1.6.

Measurement currency and reporting currency

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).

Accounting principles

Transactions denominated in foreign currencies are converted by the Company into their functional currency using the exchange rate as at the date of transaction.
As at balance sheet date both assets and liabilities denominated in foreign currencies shall be converted using closing exchange rate. Exchange rate differences arising from the conversion are recognised accordingly in financial revenues (costs).
Non-monetary assets and liabilities recognised at historical costs denominated in foreign currency shall be recognised at the historical exchange rate as at the date of transaction. Non-monetary assets and liabilities recognised at fair value denominated in foreign currency are translated at the fair value exchange rate as at the date of measurement.

Exchange rates used to determine the carrying amounts:

Exchange rate on the reporting date:	31.12.2021	31.12.2020
PLN/USD	4,0600	3,7584
PLN/EUR	4,5994	4,6148
PLN/SEK	0,4486	0,4598
PLN/BGN	2,3516	2,3595
PLN/UAH	0,1487	0,1326

Average rate, calculated as the arithmetic mean of monthly average rates	31.12.2021	31.12.2020
PLN/USD	3,8615	3,8996
PLN/EUR	4,5660	4,4442
PLN/SEK	0,4500	0,4239
PLN/BGN	2,3345	2,2723
PLN/UAH	0,1417	0,1450

1.6. Standards and amendments to standards issued by the IASB

Except for the changes presented below, the accounting principles (policy) applied to these standalone financial statements for the financial year ending on December 31, 2021 are consistent with those applied to the annual standalone financial statements for the financial year ended December 31, 2020.

The same principles have been applied to both the current and the comparable period.

Amendments introduced independently by the Company

Change of the relocation of entities and organizational unit costs to individual cost centers

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

In accordance with IAS 8(22) "Retrospective application": an entity discloses comparative data for each period as if the amended accounting policy had always been applied, which means that the Company should apply the aforementioned amendments as at January 1, 2020. The change made by the Company does not affect the Company's net result and equity, it is only a presentation adjustment between the items of the profit and loss account.

The Company made a change in the presentation of data comparable from January 1 to December 31, 2020 in relation to the data presented in the published financial statements of the Company for the financial year ended December 31, 2020. The impact of the change on the comparable period was as follows:

- own cost of sales was increased by PLN 4,044 thousand,
- costs of sale, marketing and distribution increased by PLN 217 thousand,
- while general management and administrative costs decreased by PLN 4,261 thousand.

Presentation change of the Company's equity

The Comapny made a change in the presentation of equity elements as at December 31, 2021 as well as the comparable data, i.e. as at December 31, 2020 and January 1, 2020. The Company decided to make presentation changes taking into account that this particular change is more reliable, comparable with other companies and reflects individual items of the Company's equity in a better and more readable way. Such change is a presentation change only and does not affect any financial indicators of the Company.

Below are presented changes in the equity.

	31.12.2020		
	After change	Before change	Difference
Share capital	69 161	69 161	-
Share premium account	269 641	-	269 641
Revaluation reserve	7 082	7 082	-
Other capital reserves	391	273 883	(273 492)
Retained earnings	-	(70 481)	70 481
Retained earnings	(66 630)	-	(66 630)
Equity	**279 645**	**279 645**	**-**

	01.01.2020		
	After change	**Before change**	**Difference**
Share capital	69 161	69 161	-
Share premium account	340 561	340 561	-
Revaluation reserve	7 082	7 082	-
Other capital reserves	391	182 823	(182 432)
Retained earnings	-	(249 678)	249 678
Retained earnings	(67 246)	-	(67 246)
Foreign exchange differences on translation of foreign	(24)	(24)	-
Equity	**349 925**	**349 925**	**-**

Effect of application of new accounting standards and changes to the accounting policy

In the period covered by the consolidated financial statements for 12 months, which ended on December 31, 2021, there have been following amendments to accounting policies and financial statements preparation:

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 interbank benchmark rate (IBOR) reform – Phase 2**
- **Amendments to IFRS 4 "Insurance contracts" — deferral of IFRS 9**

The amendments to these standards were issued on August 27, 2020 and supplement the first phase of accounting amendments resulting from the interbank benchmark rate reform as at September 2019. The amendments are applicable to annual periods beginning on or after January 1, 2021 or later. The second phase amendments focus on the impact that the replacement of the existing benchmark rate with the new rate resulting from the reform will have on the measurement of, for example, financial instruments and lease liabilities.

The Company applied the amended standards from January 1, 2021.

Further, commencing from January 1, 2021, following the adoption by the European Commission in October 2020, the Company has applied the Amendment to IFRS 16 Leases: Reliefs linked to COVID-19. The Amendment was published on May 28, 2020 and applies to annual periods beginning on or after June 1, 2020, subject to the option of early application. The amendment introduces a simplification in IFRS 16, which makes it possible not to recognize modifications to a lease agreement when changes in payments related to the COVID-19 pandemic occurred (until June 30, 2021) or other reliefs were granted to lessees that change the original financial terms of the lease agreements due to a pandemic.

From January 1, 2021, an amendment to IFRS 4, published on 25 June 2020, shall also apply, with respect to the extension of the period of exemption for insurers from the application of IFRS 9 Financial instruments until January 1, 2023, in accordance with the extended date of entry into force of IFRS 17 Insurance contracts.

The above changes to the standards did not have a material impact on the Company's current accounting policy.

The amendments referred to above had no material impact on the standalone financial statements.

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

In these standalone financial statements, the Company has decided against early application of published standards or interpretations (i.e. before their effective dates).

- **IFRS 17 Insurance Contracts**

The new standard was published on May 18, 2017 and was thereafter amended on June 25, 2020; it applies to annual periods beginning on or after January 1, 2023. Earlier application is permitted (provided that IFRS 15 and

IFRS 9 are applied simultaneously). The standard replaces the previous regulations on insurance contracts (IFRS 4). On June 25, 2020, IFRS 4 was also amended to extend the period of exemption for insurers from the application of IFRS 9 Financial instruments until January 1, 2023.

The Company will apply the new standard from January 1, 2023. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the new standard.

- **Amendment to IAS 1 Presentation of Financial Statements: Classification of liabilities as short-term and long-term**

The amendment to IAS 1 was published on January 23, 2020, while the effective date was thereafter modified in July 2020 and is applicable to annual periods beginning on or after January 1, 2023.

The amendment redefines the criteria that must be met in order for a liability to be classified as short-term. The amendment may affect the presentation of liabilities and their reclassification between current (short-term) and non-current (long-term) liabilities.

The Company will apply the modified standard from January 1, 2023. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the new standard.

- **Amendments to IFRS 3, IAS 16, IAS 37 and annual Improvements to standards 2018-2020**

Amendments to these standards were published on May 14, 2020 and are applicable to annual periods beginning on or after January 1, 2022. Among the changes are among others the prohibition to reduce the cost of the fixed assets by the proceeds from the sale of test products arising from the creation/launching of a fixed asset and the clarification of the costs that an entity considers when assessing whether a contract will result in losses.

The Company will apply the amended standards from January 1, 2022. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the amended standard.

- **Amendments to IAS 1 – Disclosure of Accounting Policies and IAS 8 – Definition of Accounting Estimates, published on February 12, 2021.**

Amendments to these standards were published on February 12, 2021 and are applicable to annual periods beginning on or after January 1, 2023. It is the purpose of these amendments to place a greater emphasis on the disclosure of significant accounting principles and to clarify the nature of differences between changes in estimates and changes in accounting policies (principles).

The Company will apply the modified standard from January 1, 2023. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the new standard.

- **Amendment to IFRS 16 Leases — COVID-19 allowances granted after June 30, 2021**

The amendment to IFRS 16 was published on March 31, 2021 and applies to annual periods beginning on or after April 1, 2021. The objective of the amendment is only to extend by one year (until June 30, 2022) the period during which the granting of concessions for lease payments related to COVID-19 does not necessarily involve modification of the lease agreement. This amendment is closely related to the already existing amendment to IFRS 16 published in May 2020.

The Company will apply the change in the standard no earlier than January 1, 2022. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the amended standard.

- **Amendment to IAS 12 Income tax: deferred tax on assets and liabilities arising from a single transaction, published on May 7, 2021**

The amendment to IAS 12 was published on May 7, 2021 and applies to annual periods beginning on or after April 1, 2024. The amendments clarify that the exemption on initial recognition of deferred tax does not apply

to transactions where at initial recognition equal amounts of deductible and taxable temporary differences arise and that entities are required to recognize deferred tax on such transactions and thus explain the doubts that arise as to whether this exemption applies to transactions such as leasing and decommissioning liabilities.

The Company will apply the change in the standard from January 1, 2024. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the amended standard.

- **Amendment to IFRS 17 Insurance Contracts**

The amendment to IFRS 17 was published on December 9, 2021 and applies to annual periods beginning on or after April 1, 2023. The change includes an interim option for comparative information about financial assets presented in the initial application of IFRS 17. The purpose of the amendment is to help entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

The Company will apply the change in the standard from January 1, 2024. As at the date of preparation of these financial statements, the application of the amended standard will not affect the standalone report of the Company.

In the form approved by the EU, IFRSs do not currently differ to a significant degree from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, interpretations and amendments thereto, which as at the date when these financial statements have been approved for publication, have not yet been adopted for application in EU countries:

- Amendment to IAS 1 Presentation of financial statements: Classification of liabilities as short-term and long-term, published on January 23, 2020, as amended on July 15, 2020,
- Amendment to IAS 12 Income tax: deferred tax on assets and liabilities arising from a single transaction, published on May 7, 2021,
- Amendment to IFRS 17 Insurance Contracts: First application of IFRS 17 and IFRS 9 — comparative information, published on December 9, 2021.

According to the Company's estimates, the aforementioned new standards and amendments to existing standards would not have a material impact on the financial statements if they were applied by the Company at the balance-sheet date.

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

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

With reference to note 10 of the annual standalone financial statements of Trakcja for the financial year which ended December 31, 2020, note 62 of annual consolidated financial statements of the Trakcja Group for the financial year which ended December 31, 2020, as well as note 10 of the consolidated quarterly report for nine months which ended September 30, 2021, the Management Board of the Company provides the following update regarding the matters referred to in the aforementioned notes to the financial statements.

Going concern

These standalone financial statements for the twelve-month period ended December 31, 2021 were prepared based on the going concern assumption and, therefore, do not contain any adjustments in respect of different policies for the recognition and measurement of assets and liabilities that would be required if the going concern assumption for the Company was unjustified.

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

Risk to the going concern status

In the period of 12 months ended on December 31,2021, the Company recorded net profit of PLN 3,855 thousand, and the net working capital amounted to PLN 33,603 thousand.

As at December 31, 2021, financial liabilities due to credits and loans, leasing and bonds of the Company amounted to PLN 410,378 thousand (long-term part amounted to PLN 332,326 thousand, short-term part to PLN 78,052 thousand) and in comparable period as at December 31, 2020 it amounted to PLN 386,517 thousand (long-term part amounted to PLN 291,713 thousand, short-term part to PLN 94,804 thousand).

As at December 31, 2021, trade and other liabilities amounted to PLN 244,995 thousand, including trade and services liabilities and amounts equal to PLN 187,261 thousand, of which outstanding PLN 18,899 thousand, which were significantly reduced compared to the amount as at December 31, 2020 (trade and services liabilities and retained amounts as at 31 december 2020 amounted to pln 121 940 thousand).

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

General situation of the Company

The Company's performance for the period of 12 months ended December 31, 2021 was as follows:

- gross result on sales: PLN 15,291 thousand (12 months in 2020 transformed: PLN -24,500 thousand).
- EBITDA: PLN 22,101 thousand (12 months in 2020: PLN -34,336 thousand).
- net profit/loss: PLN 3,855 thousand (12 months in 2020: PLN -70,481 thousand).
- equity: PLN 283,734 thousand (as at December 31, 2019: PLN 279,645 thousand).

Implementation of projects optimizing the Company's activities

During 2021, the Company continued to implement Stage II of the Recovery Plan scheduled for 2020-2021. The initiatives included in the Recovery Plan aim at among others to achieve financial benefits for the Company, streamline internal procedures and optimize internal structure. Furthermore, in accordance with the financing documentation, the Company provides the facility agent (mBank S.A.) at least once a month with the Management's Board report on the implementation of the Recovery Plan, additionally verified by a consultant.

Continued negotiations on claims

During the period of 2021 the Management Board of the Company continued negotiations with PKP Polskie Linie Kolejowe S.A. ("PKP PLK") for the settlement of court disputes. As at the publication date hereof, the value of contractual claims pursued by Trakcja, its consortium partners and subcontractors in court against PKP PLK amounts to approximately PLN 158.6 million in total (the gross amount with capitalized interest as at the date when the claim was filed), including the amount due to Trakcja being approximately PLN 120.3 million.

For the part of the contractual claims described above, the Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as part of mediations at the Arbitration Court by the General Prosecutor's Office of the Republic of Poland for the amount of PLN 139.2 million (the gross amount with capitalized interest as at the date when the claim was filed), including the amount due to Trakcja – approximately PLN 106.9 million. Detailed information has been provided in note 3.11 hereto.

At the present stage, the Management Board of the Company is unable to estimate when the negotiations concerning the legal claims will conclude and their impact on the financial result.

As at December 31, 2021, the value of other contractual claims which the Company is pursuing, together with consortium partners and subcontractors, on a contractual basis (out of court) amounts to PLN 328.7 million, including the amount due to Trakcja being PLN 279.8 million.

The order portfolio of the Company

The Company's order portfolio as at December 31, 2021 amounted to PLN 1,483 million (excluding part of the revenues attributable to the consortium members). In 2021, Trakcja S.A. signed construction contracts with a total value of PLN 768.4 million (excluding value of works attributable to the consortium members). Moreover, the Company submitted in 2021 the most advantageous bids in public tenders (pending until the date of approval of publication of these financial statements) for the total amount of PLN 83.6 million.

Solicited new significant contracts

In 2021, the Company has signed the following contracts:

a) on February 11, 2021, Trakcja S.A. signed a contract for "Extension of the traffic system accompanied by construction of a viaduct above the railroad tracks in Skarżysko-Kamienna as part of: "Construction of an integrated transport system comprising the reconstruction of the existing traffic system accompanied by the construction of a structure serving as a crossing of the Warsaw-Cracow railroad line No 8 and a connection between Osiedla Dolna Kamienna (Dolna Kamienna Housing Estate) with Osiedle Przydworcowe (Railway Station Housing Estate) in Skarżysko-Kamienna", details are given in the current report 4/2021 (contract value – PLN 28.3 million net).

b) on June 2, 2021, Trakcja S.A. signed a contract for "Extension of tram lines in Olsztyn"; details are given in the current report 18/2021 (Company's share – PLN 163.9 million net);

c) on July 5, 2021, Trakcja S.A. signed a contract for "Construction of a tram route connecting Fordońska Street to Toruńska Street together with the development of the road system and the reconstruction of railway infrastructure in Bydgoszcz"; details are given in the current report 26/2021 (contract value – PLN 124.9 million net);

d) on August 11, 2021, Trakcja S.A. signed a contract for "Works on railway line No 7 Warszawa Wschodnia Osobowa – Dorohusk on the section Warsaw – Otwock – Dęblin – Lublin, stage II, section Warszawa Wschodnia Osobowa – Warszawa Wawer", details are given in the current report 31/2021 (contract value plus contingent amount – PLN 422.4 million net);

e) on September 24, 2021, Trakcja S.A. signed a contract for "Construction of a walking-bicycle footpath under the tracks of Ostra and Kręta Street in Kiekrz in the framework of the project works on the railway line E59 on the section Poznań Główny - Szczecin Dąbie" (contract value – PLN 13.7 million net).

Significant contracts signed after the balance-sheet date:

a) on January 5, 2022, Trakcja S.A. signed a contract for "Development of the road and rail system in the Ogrodowa - Północna Streets from Zachodnia Street to Franciszkańska Street along with the reconstruction of the tram loop in Północna Street; details are given in the current report 1/2022 (contract value – PLN 37.0 million net);

b) on February 10, 2022, AB Kauno Tiltai signed a contract for the "Conversion and construction project 330/110/10 kV of the Jonava transformer substation", details are given in the current report 9/2022. Total net contract value – EUR 19.9 million (i.e. PLN 89.5 million net);

c) on March 14, 2022, Trakcja S.A. signed a contract for the "Reconstruction of the Plac Wolności with the technical infrastructure, transfer and maintenance of the spring, small architecture and planting, and construction of a roof above entrance to the Kanał „Dętka" Museum - Branch of the Muzeum Miasta Łodzi"; details are given in the current report 13/2022 (total contract value – PLN 28.8 million net, including: contract value – PLN 27.2 million and conditional amount of PLN 1.6 million);

d) on March 16, 2022, Trakcja S.A. signed a contract for "Restoration of water supply network with connections on Plac Wolności in Łódź" (contract value – PLN 2.4 million net).

The most favorable offers submitted in public tenders at the date of approval of these financial statements for publication

a) development of design documentation and execution of construction works for the construction of Pisarzowa and Limanowa new traction substations under project entitled: "Construction of a new railway line Podłęże – Szczyrzyc – Tymbark/Mszana Dolna and modernization of railway line 104 Chabówka — Nowy Sącz" (contract value – PLN 83.6 million net).

Active liquidity management policy of the Company

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

On March 3, 2021, the Company received payment for the sale of property on Lotnicza 100 Street in Wrocław totaling to PLN 53,000 thousand as a result of which the Company repaid the entire liability for working capital credit granted by mBank S.A. (PLN 50,000 thousand plus interest). Detailed information is provided in current report No 6/2021.

Under the contract "Execution of project and construction works under project entitled: "Renovation of railway lines No. 694/157/190/191 Bronów – Bieniowiec – Skoczów – Goleszów – Cieszyn/Wisła Głębce – Part A: Design and execution of works on the section of the sub-section Bronów – Wisła Głębce" the Company received the inflow of cash:

1) on July 13, 2021, an advance payment in the gross amount of PLN 30,067 thousand;
2) on July 14, 2021, due to the release of security related to proper performance guarantee in gross amount of PLN 30,067 thousand;

On August 3, 2021, under a contract for "Design and construction of the S61 Szczuczyn-Budzisko (state border) expressway, including the following tasks: Task No 2: section road node Ełk Południe - road node Wysokie (including exit slip (road) within road DK 16)" Trakcja received an advance of PLN 30,868 thousand gross.

On October 12, 2021, the Company signed a contract to sell the property at Oliwa 11 Street in Warsaw for the price of PLN 25,000 thousand, which was transferred to the Company on the date of signing the contract. Detailed information is provided in current report No 43/2021.

In addition, on December 23, 2021, the general meeting of AB Kauno Tiltai subsidiary adopted a resolution on the payment of dividend for a period of less than the financial year, i.e. for the period from January to September 2021, together with the outstanding profits from previous years in the amount of EUR 10,000 thousand, of which the amount attributable to the Company as shareholder of AB Kauno Tiltai amounted to EUR 9,806 thousand. The dividend was paid in two parts: the first of 2/3 dividend value - by December 29, 2021, the second of 1/3 dividend value - by January 13, 2022.

As at December 31, 2021, Trakcja held cash and cash equivalents in the amount of PLN 16,618 thousand and unused credit lines in the amount of PLN 18,978 thousand.

As at April 22, 2021, the Company held cash in the amount of PLN 22,505 thousand and has unused credit lines in the amount of PLN 6,064 thousand.

On the basis of the data and assumptions adopted at the time of publication of these financial statements, a financial gap in the amount of about PLN 116 - 176 million was identified for the Company (the financial gap presented in the financial statements for 2020 was PLN 159-216 million). The estimated amount was reported without the recapitalization of the Company (referred to in current reports No 14/2021, 37/2021, 40/2021, 49/2021, 58/2021). The Company indicates that the value provided is an estimate and imprecise information that varies over time depending on the assumptions made for future events and the high risk of volatility over time.

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

New sources of financing

During the period of 2021 and until the date of publication of these financial statements, the Company carried out intensive activities to obtain capital and debt financing, which would cover the financial gap referred to above. That shall include in particular:

I.) related to the acquisition of debt financing:

1. on June 17, 2021, the Company signed long-term financing documents covering the following annexes:

    a. annex introducing a revised and standalone credit agreement (concluded between the Company and BTW sp. z o.o., PRK 7 Nieruchomości sp. z o.o., PDM S.A., DALBA sp. z o.o., as borrowers and guarantors, and Torproject sp. z o.o., PEUIM sp. z o.o., Trakcja Ukraina sp. z o.o., as guarantors (altogether "Related Entities") and mBank S.A., Credit Agricole Bank Polska S.A. and BGK, as lenders and ARP as lender), on the basis of which a new credit, a new loan and a new amended guarantee line were granted to the Company (the "Standalone Credit Agreement");

    b. annex introducing amendments to the agreement between creditors of June 13, 2019 (concluded between the Company, subsidiaries, COMSA and creditors, i.e.: BGK, ARP, mBank S.A., Credit Agricole Bank Polska S.A., Bank PKO S.A., AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A. (now UNIQA Towarzystwo Ubezpieczeń S.A.), Credendo — Exccess & Surety Society Anonyme, Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Generali Towarzystwo Ubezpieczeń S.A. and COMSA, PZU S.A., UNIQA Towarzystwo Ubezpieczeń S.A. (altogether "Creditors"), on the basis of which the conditions for cooperation between Creditors have been harmonized; moreover a hierarchy of receivables due from the Company and Related Entities to Creditors and the safeguards established for Creditors by the Company and its Related Entities (the "Intercreditor Agreement") has been established;

    c. an annex amending the agreement on common terms and conditions (concluded between the Company, its Related Entities, mBank S.A., Credit Agricole Bank Polska S.A., Bank PKO S.A., BGK and ARP) under which the conditions for granting financing to the Company and to its Related Entities by the bank creditors and ARP (the "Common Conditions Agreement") have been harmonized;

    d. an annex introducing amendments to the agreement on the harmonization of selected terms of guarantee agreements and surety agreement of June 13, 2019 (concluded between the Company, Related Entities and AXA Ubezpieczenia Towarzystwo Ubezpieczeń I Reasekuracji S.A.) (now UNIQA Towarzystwo Ubezpieczeń Społecznych S.A.), Credendo – Excess & Surety Societe Anonyme, acting in Poland via Credendo – Excess & Surety Spółka Akcyjna Oddział w Polsce, Generali Towarzystwo Ubezpieczeń S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Sopockim Towarzystwem Ubezpieczeń Ergo Hestia S.A., PZU S.A. and UNIQA Towarzystwo Ubezpieczeń S.A.), on the basis of which the conditions for granting financing to the Company and its Related Entities have been harmonized by the insurance creditors (the "Common Terms Insurance Agreement")
    (documents referred to in points a to d above are together entitled as '"Financing Documents").

Under the Harmonized Credit Agreement and under the conditions indicated therein:

a. a new open-end credit of a total amount of PLN 52,983 thousand has been granted to the Company being the borrower;

b. a new open-end loan of a total amount of PLN 52,746 thousand has been granted;

c. bank guarantee lines have been changed, among others by increasing their availability periods.

In particular, two new guarantees were issued for repayment of the advance in the amounts respectively: PLN 30,067 thousand and PLN 30,868 thousand.

In addition, in connection with the revised Common Terms Insurance Agreement a new performance guarantee of PLN 30,067 thousand was issued by insurance companies.

Furthermore, the Harmonized Credit Agreement also provides for the recapitalization of the Company by PKP PLK in an amount of not less than PLN 200,000 thousand by January 31, 2022. In the event the recapitalization is cancelled, the Company undertook to conduct the sale process of AB Kauno Tiltai subsidiary.

Detailed information is provided in current report No 20/2021.

In this note, in points 15-17 concerning acquisition of capital financing were presented events leading to increase of capital in the Company. On April 8, 2022, the Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. as at May 6, 2022, in order to "take a resolution on the increase in share capital of the Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) of the E-series shares and on the amendment of the Statute." Detailed information is provided in current report No 19/2022.

2. On June 24, 2021, the Company received a notification from mBank, acting as facility agent, that the conditions precedent set out in the annex of June 17, 2021 to the Harmonized Credit Agreement were met on June 24, 2021, the conclusion which the Company has communicated in the current report No 22/2021;

3. As a result of the launch of long-term financing documentation, the Company received the following cash inflows in 2021:

   a. **PLN 52,746 thousand** due to loan from ARP (on June 28, 2021);

   b. **PLN 52,983 thousand** due to open-end credit, including: PLN 43,892 thousand from mBank and BGK and PLN 9,091 thousand from ARP (on June 28, 2021);

   c. **PLN 30,067 thousand** due to proper performance of contract (refund of withheld amount of 7%) on the "Wisła" contract (on July 13, 2021);

   d. **PLN 30,067 thousand** due to advance payment on "Wisła"contract (on July 14, 2021);

   e. **PLN 30,868** thousand due to advance payment on "Ełk"contract (on August 3, 2021);

   The total amount of the above revenues amounted to **PLN 196,731 thousand**.

   These proceeds enabled the Company to unlock the possibility of contract execution through payments to subcontractors and suppliers of materials and to launch invoicing connected to the provision of lack of arrears in payments declarations by subcontractors. In addition, in 2021, the Company managed to limit trade liabilities outstanding over 60 days. There has been a significant improvement in the flow of trade receivables, which was linked to the start of payments blocked by subcontractors.

4. Between June 18, 2021 and November 26, 2021, the Company signed the following annexes corresponding to Financing Documents:

   a. an annex to the Harmonized Credit Agreement concluded on July 29, 2021;

b. an annex to the Harmonized Credit Agreement concluded on August 27, 2021;

c. an annex to the Harmonized Credit Agreement concluded on October 1, 2021;

d. an annex to the Harmonized Credit Agreement concluded on November 26, 2021;

Based on the above annexes, the parties have made changes to extend the validity of some of the guarantee lines.

5. On December 20, 2021, the Company signed the annexes corresponding to the financing documents on the basis of which the parties decided that certain provisions of the Financing Documents were amended from the date of their signature, including the modification of certain conditions for the guarantees issued under the guarantee line; the date of the financial indicators' examination was postponed, the dates and amounts of past due commitments have been updated and terms for the establishment of some collaterals has been postponed.

   In addition, the parties decided that additional amendments to the Financing Documents would enter into force, in particular: extension of the deadline for the realization of the investment (understood as the submission of an application for registration of the increase in the share capital of the Company to the National Court Register, acquisition of shares in increased share capital in cash and the unconditional provision of funds from this recapitalization in the amount not less than PLN 200,000 thousand) by March 31, 2022, or, in the absence of performance of investment, extension of the date of disposal of all the shares held by the Company in AB Kauno Tiltai byMay 31, 2022, if the following conditions are met:

   - the adoption by the general meeting of the Company by December 21, 2021 of a resolution on the recapitalization of the Company by the acquisition by PKP PLK shares in the Company's increased share capital for cash, in an amount of not less than PLN 200,000 thousand; and

   - conclusion by the Company and mBank S.A. and KPMG Advisory sp. z o.o. sp.k. by December 20, 2021 of the agreement on the analysis of strategic options for the Trakcja Group relating to the sale by the Company of shares in the share capital of AB Kauno Tiltai; and

   - the submission by the Company and its Related Entities, no later than to December 15, 2021, of applications for disclosure in the register of pledges of all changes made to the collateral documents relating to funding granted to the Company.

   Detailed information is provided in current report No 53/2021.

   On January 28, 2022 the Company submitted an application to the financing entities for an extension of the time-limits for the realization of the investment and, in the absence of such realization, for the disposal of all the shares held by the Company in AB Kauno Tilltai. Discussions with financing entities are currently under way.

6. After December 20, 2021, the Company signed the following annexes corresponding to the Financing Documents:

   a. an annex to the Harmonized Credit Agreement concluded on February 15, 2022;

   b. an annex to the Harmonized Credit Agreement concluded on March 14, 2022;

   c. an annex to the Common Conditions Agreement concluded on March 15, 2022;

   d. an annex to the Common Conditions Agreement concluded on April 13, 2022.

   On the basis of the above annexes, the parties decided among others, to postpone the payment of the installments and the term of reduction of the exposure; moreover, amendments aiming to extend the validity of some of the guarantees within the guarantee line were introduced.

II.) related to the acquisition of equity financing:

1. on May 10, 2021, the Company informed about the convening of the Extraordinary General Meeting of Trakcja S.A. for September 10, 2021, in order to take a resolution on the increase in share capital of the Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute. Detailed information is provided in current report No 9/2021;
2. on May 24, 2021, the Company received a notification from the Company's shareholder — ARP on the conclusion of a conditional agreement between ARP, PKP PLK and the State Treasury of the Republic of Poland — Minister of Infrastructure, concerning mainly the involvement in the Company, under which PKP PLK undertook to subscribe to 250 million E-series shares of the Company for a total issue price of PLN 200 million. Detailed information is provided in current report No 10/2021;
3. on May 24, 2021, the Company delivered delayed as at November 26 ,2020 confidential information concerning the receipt from the ARP and PKP PLK of the notification, that PKP PLK exceeded the threshold of 15% of the total number of votes in the Company as a result of the conclusion of an agreement between ARP and PKP PLK concerning among others execution by ARP voting rights from shares held in the share capital of the Company in a manner agreed with PKP PLK in respect of the acquisition by PKP PLK of shares in the new issue. Detailed information is provided in current report No 11/2021;
4. on May 24, 2021, the Company informed that it had received on November 25, 2020 a notification from the ARP and PKP PLK, that PKP PLK exceeded 15% of the total number of votes in the Company, as a result of the addition of the votes held by the ARP as a result of the conclusion by ARP and PKP PLK of an agreement referred to in Article 87(1)(5) of the Act on Public Offering. Detailed information is provided in current report No 12/2021;
5. on May 24, 2021, the Company received a notification from ARP shareholder of the conclusion of a non-binding agreement between the shareholders of the Company, i.e. ARP and COMSA ,concerning primarily the acquisition by the ARP or the entity controlled directly or indirectly by the State Treasury of the Republic of Poland or any other entity designated by ARP, already accepted by COMSA of all shares and bonds issued by the Company held by COMSA in a given moment. Detailed information is provided in current report No 13/2021;
6. on May 24, 2021, the Company received a request from ARP, a shareholder representing at least one twentieth of the share capital of the Company, to supplement draft resolutions concerning matters on the agenda of the Extraordinary General Meeting of the Company convened on September 10, 2021 together with draft resolutions. Among the draft resolutions, a new draft resolution on the increase in share capital and on the amendment of the Statute was submitted, including among others the following points:
   a. the share capital of the Company is increased from PLN 69,160,780.80 by PLN 200,000,000.00, i.e. to PLN 269,160,780.80;
   b. the above increase in the share capital of the Company will be made by the issue of 250,000,000 E-series ordinary bearer shares with a nominal value of PLN 0.80 each;
   c. E-series shares shall be fully covered, only in cash, before the increase in share capital by issue of E-series shares is registered;
   d. the issue of E-series shares shall be carried out by means of a private subscription as referred to in Article 431(2)(1) of the Code of Commercial Partnerships and Companies, as a part of an offer addressed to one investor, i.e. to a company under the name of PKP PLK with registered office in Warsaw;
   e. the agreement to subscribe to the E-series shares should be concluded within 45 days from the date of adoption of the resolution.

Detailed information is provided in current report No 14/2021;

7. on June 23, 2021, the Company entered into a consultancy agreement with KPMG Advisory sp. z o.o. sp.k., which started the process of reviewing strategic options for the Trakcja Group, including an overview of the Company assets and business of the Issuer's group with regard to the possibilities of disinvestment regarding the potential sale of shares or stocks held in subsidiaries. Detailed information is provided in current report No 21/2021;

8. on September 10, 2021, an Extraordinary General Meeting of the Company took place, during which, on the basis of a request made by ARP shareholder (representing at least one twentieth of the share capital of the Company), it was not possible to consider an item on the planned agenda, which concerned the adoption of a resolution on the increase in the share capital of the Company;
   In addition, the Extraordinary General Meeting, at ARP request, adopted a resolution calling for an Extraordinary General Meeting to be convened on November 29, 2021, during which the above-mentioned resolution from which the extraordinary General Meeting refrained on September 10, 2021, is to be considered. Detailed information is provided in current report No 37/2021;

9. on September 10, 2021, the Company informed about the convening of the Extraordinary General Meeting of Trakcja S.A. for November 29, 2021, in order to adopt a resolution on the increase in share capital of the Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute;

10. on November 19, 2021, ARP and COMSA concluded a preliminary share sale agreement and a conditional sale agreement for bonds issued by the Company. Under the agreement, ARP undertook to acquire all the shares held by COMSA in the share capital of the Company in a given moment as well as bonds issued by the Company; COMSA undertook to sell them under the terms specified in the agreement, while making the transaction subject to the fulfillment of a number of suspending conditions set in the agreement. The agreement was concluded on the assumption that shareholders of the Company will adopt a resolution on the increase in the share capital of the Company from PLN 69,160,780.80 to PLN 269,160,780.80 by issuing 250,000,000 of the E-series new ordinary shares worth PLN 0.80 each;

11. on November 29, 2021, the Management Board of the Company informed that the Extraordinary Meeting of Shareholders of the Company, which was convened on November 29, 2021, in connection with the request made by ARP shareholder, announced a break in proceedings until December 21, 2021. Detailed information is provided in current report No 48/2021;

12. on December 21, 2021, the Management Board of the Company informed that the Extraordinary Meeting of Shareholders convened on November 29, 2021 and which, on the same day resumed its proceedings after a break following a request made by ARP shareholder, had announced a further pause until December 29, 2021. Detailed information is provided in current report No 54/2021;

13. on December 29, 2021, the Extraordinary Meeting of Shareholders adopted a resolution not to proceed with point 5 of the scheduled agenda on the increase in share capital of the Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute. Detailed information is provided in current report No 58/2021;

14. on December 30, 2021, the Company's shareholders – ARP and COMSA, notified the Company of the conclusion of the annex, by virtue of which the parties prolonged until January 31, 2022 the expiry date of the preliminary agreement for the sale of shares and the conditional agreement for the sale of bonds issued by the Company in the event that the General Meeting of the Company did not adopt a resolution concerning the increase in the Company's share capital from PLN 69,160,780.80 to PLN 269,161 thousand by issuing

250,000,000 new E-series ordinary shares worth 0.80 PLN each. Detailed information is provided in current report No 60/2021. Subsequently, after the balance sheet date, i.e. on February 1 ,2022, ARP and COMSA concluded an annex, by virtue of which the deadline for the termination of the agreement in the absence of the above-mentioned resolution was extended until 30 April 2022. Detailed information is provided in current report No 8/2022;

15. After the balance sheet date, i.e. on January 31, 2022, ARP - shareholder representing at least one twentieth of the share capital of the Company - submitted a request to convene the Extraordinary Meeting of Shareholders of the Company for April 8, 2022. Detailed information is provided in current report No 6/2022;
16. On January 31, 2022, the Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for April 8, 2022. Detailed information is provided in current report No 7/2022;
17. On April 8, 2022, the Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for May 6, 2022, in order to "take a resolution on the increase in share capital of the Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute." Detailed information is provided in current report No 19/2022.

Risks related to the SARS CoV-2 pandemic

The infrastructure construction sector, in which the Group operates, has been affected by the COVID-19 epidemic to a much less extent than other sectors of the economy, but the restrictions imposed by general government generate risks impeding the operation of the companies. This risk is inter alia linked to difficulties in accessing materials and raw materials or problems with employees, especially those who move across national borders (Germany and Ukraine).

A detailed description of risks was presented in point 2.10 of the Management Board's report on the Company's activities for 2021.

In the Group's assessment, the possibility of those risks occurring is medium and as at the approval date of publication of these financial statements the Group is unable to estimate the impact of these risks on the future financial results and cash flows of the Group.

In the event of any significant impact of the pandemic on the Group's financial and asset situation, the Management Board of Trakcja will inform the stakeholders with an appropriate stock exchange announcement.

Actions taken by the Company in the review of strategic options

The Company is in the process of reviewing strategic options. The Management Board is in the process of analyzing the assets held by the 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 Company (as reported by the Company in current report No 21/2021). As at the date of approval of these statements for publication, no decisions have been taken on the selection and implementation of options in this area.

Risk of non-achievement of contractual financial indicators

In connection with the signing on June 17, 2021 of a number of annexes to the agreements referred to in the current report No 20/2021 Trakcja is obliged to observe the financial indicators (hereinafter referred to as "Covenants") related to the current financial situation of the Company and the Group. The agreement specified that the first verification of whether the Company and the Group fulfilled the Covenants would take place on December 31, 2021, further verifications to occur on a quarterly basis (the Company) and on yearly basis (the Group) until September 30, 2023. On the basis of the annexes to the above-mentioned agreements concluded

on December 20, 2021, about which the Company informed in the current report No 53/2021, the date of the first verification of the fulfillment of the Covenants was postponed to June 30, 2022. In the event of the risk of non-compliance with the Covenants as at June 30, 2022, the Company shall request a further postponement of the testing dates of the Covenants.

Risk of failure

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

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

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

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

1. commencing negotiations with the Company's creditors concerning debt restructuring combined with taking steps permitted by applicable legal regulations, aimed at protecting the Company and the interests of the creditors and shareholders.
2. reduction of the risk of the success of the capital increase through subscription of 250 million shares of the E-series - the Company has taken parallel steps to dispose of the key assets of the Company as an alternative to cover the financial gap;
3. conducting operational restructuring involving the sale of assets that are not used in the core operating activities, inter alia shares in related entities and tangible fixed assets.
4. limitation of the activities of the Company.

Risk associated with the war in Ukraine

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

1. The purchase plans on the contracts of the Company were analyzed, with the result that the risks of a sudden and high increases in the prices of the materials used in the contracts carried out by the Trakcja Group have been updated, including mainly metallurgical products, rails, structural steel, reinforcing steel, but also increases in prices of railway sleepers, turnouts, aluminum and copper cables, concrete products, asphalt

masses and other materials, including fuels. This risk may affect the valuation and profitability of construction contracts carried out by the Trakcja Group in 2022.

2. Potential risks have been identified that could have an impact on the timetable for the implementation of the Company's contracts, due to possible difficulties in connection with the unavailability or accessibility of employees, in particular those who are citizens of Ukraine employed by the Company's subcontractors, as a result of the widespread mobilization in Ukraine.

3. A significant impact on the evolution of the cost of the factors of production has been identified, namely a weakening of the PLN rate vis-à-vis the EUR and USD, as a result of which there is a risk of the inflationary pressure involved. As a consequence, there may be a further increase in interest rates, which would affect the financial costs of the Company and the Trakcja Group.

4. There were no significant distortions regarding the limits of the refueling introduced by PKN ORLEN S.A. Fuel delivery schedules and monitoring of the Group's daily demand cycle are established on an ongoing basis, which allows as at the date of approval of these financial statements for publication, to maintain the expected equipment and transport performance.

5. The Company keeps under constant review the activities of the Group, in particular the impact on the parties' contractual obligations in the context of the situation and the risks associated with it.

6. Risks (which, if any, will not have a significant impact on the financial statements of the Trakcja Group) have also been identified in relation to the activities of Trakcja Ukraina sp. z o.o. subsidiary based in Kiev, which in 2021 did not carry out significant operational activities. In view of the ongoing military activities, these risks are:

   - impairment of non-financial assets of the subsidiary;

   - the lack of operational capacity of the subsidiary;

   – loss of control over the subsidiary.

1.8. Selected financial data

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
31.12.2021	4,5775	4,4541	4,7210	4,5994
31.12.2020	4,4742	4,2279	4,6330	4,6148

** Average of the exchange rates effective for the last day of each month in the financial year*

Key items of balance sheet translated into EUR

	31.12.2021		31.12.2020	
	kPLN	kEUR	kPLN	kEUR
Non-current assets	586 458	127 508	614 064	133 064
Current assets	467 405	101 623	520 523	112 794
TOTAL ASSETS	**1 053 863**	**229 131**	**1 134 587**	**245 858**
Equity	283 734	61 689	279 645	60 597
Long-term liabilities	335 228	72 885	294 482	63 813
Short-term liabilities	434 901	94 556	560 460	121 448
TOTAL EQUITY AND LIABILITIES	**1 053 863**	**229 131**	**1 134 587**	**245 858**

The data reported in the balance sheet was translated at the exchange rate quoted by the National Bank of Poland for the last day of the financial year.

Key items of income statement translated into EUR

	Year ended 31.12.2021		Year ended 31.12.2020	
	kPLN	kEUR	kPLN	kEUR
Sales revenue	792 762	173 187	652 753	145 893
Cost of goods sold	(777 471)	(169 846)	(673 209)	(150 465)
Gross profit (loss) on sales	**15 291**	**3 340**	**(20 456)**	**(4 572)**
Operating profit (loss)	2 370	518	(54 557)	(12 194)
Gross profit (loss)	**9 503**	**2 076**	**(79 086)**	**(17 676)**
Net profit (loss) from continued operations	3 855	842	(70 481)	(15 753)
Net profit for the period	**3 855**	**842**	**(70 481)**	**(15 753)**

The income statement data was converted at the average EUR exchange rate, calculated as the average of the exchange rates effective on the last day of each month in the financial year, quoted by the National Bank of Poland for that day.

Key items of statement of cash flows translated into EUR

	Year ended 31.12.2021		Year ended 31.12.2020	
	kPLN	kEUR	kPLN	kEUR
Net cash flows from operating activities	(101 752)	(22 229)	(45 355)	(10 137)
Net cash flows from investment activities	103 054	22 512	3 802	850
Net cash flows from financial activities	8 623	1 884	732	164
Total net cash flows	**9 925**	**2 168**	**(40 821)**	**(9 123)**

The above data contained in the statement of cash flows was converted at the average EUR exchange rate, calculated as the average of the exchange rates effective on the last day of each month in the financial year, quoted by the National Bank of Poland for that day.

	31.12.2021		31.12.2020	
	kPLN	kEUR	kPLN	kEUR
Cash at start of period	6 693	1 450	47 514	11 157
Cash at end of period	**16 618**	**3 613**	**6 693**	**1 450**

The above data contained in the statement of cash flows was converted at:

- the exchange rate quoted by the National Bank of Poland for the last day of the financial year – for "Cash at the end of the period",
- the exchange rate quoted by the National Bank of Poland for the last day of the financial year preceding the respective financial year – for "Cash at the beginning of the period".

The EUR/PLN exchange rate on the last day of the financial year ended December 31, 2019, used to calculate the amount of cash at start of period ended December, 31, 2020 was 4,2585 PLN/EUR.

2. Notes to the income statement

2.1. Sales revenue

Accounting principles

The Company applies IFRS 15 to all agreements with customers, save for: lease contracts within the scope of IFRS 16 Leases; insurance contracts within the scope of IFRS 4 Insurance Contracts; financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The Company recognizes a customer agreement remaining within the scope of IFRS 15 only when all of the criteria specified below are met:

- parties have entered into an agreement and are obliged to perform their obligations,
- the Company is able to identify each party's rights in respect of goods or services to be transferred,
- the Company is able to identify payment terms for goods or services to be transferred,
- the agreement has economic content,
- it is likely that the Company will receive the remuneration to which it is entitled in exchange for the goods or services to be transferred to the customer.

The Company combines two or more agreements that have been executed concurrently or nearly concurrently with the same customer (or customer's associates) and recognized r them as a single agreement if at least one of the criteria specified below is met:

- agreements are negotiated as a package and they concern the same commercial purpose;
- the amount of remuneration due under one agreement depends on the price or performance of another agreement;
- goods or services have been promised in contracts.

The Company recognizes an amendment to an agreement as a separate agreement if both of the conditions specified below are met:

- the scope of the agreement is increased due to the addition of promised goods or services that are considered separate; and
- the price specified in the agreement is increased by the amount of remuneration reflecting the individual selling prices specified by the entity for additional promised goods or services and any relevant adjustments to such price made in order to reflect the circumstances of the particular agreement.

Identification of performance obligations

Upon execution of an agreement, the Company evaluates promised goods or services in such agreement with a customer and identifies as a performance obligation any promise to transfer to the customer:

- goods or services (or package of goods or services) that can be made separate; or
- groups of separate goods or services that are substantially identical and in which case the transfer to the customer has the same character.

Fulfillment of performance obligations

The Company recognizes revenue when it has fulfilled (or is in the process of fulfilling) its performance obligation by transferring the promised goods or services (i.e. an asset) to the customer. The transfer of the asset occurs when the customer acquires control of the asset.

Determining the transaction price

Upon fulfilling (or in the process of fulfilling) a performance obligation, the Company recognizes as revenue an amount equal to the transaction price (excluding estimated variable remuneration, which is limited) that has been allocated to that performance obligation. In order to determine the transaction price, the Company takes account of contract terms and customary business practices. The transaction price is the amount of remuneration that the Company expects to receive in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (e.g. certain sales taxes).

Variable remuneration

If the remuneration specified in the agreement comprises a variable amount, the Company estimates the amount of remuneration to which it will be entitled in exchange for transferring the promised goods or services to the customer. The Company estimates the amount of variable remuneration based on one of the following methods, depending on which of them allows the Company to more accurately predict the amount of remuneration to which it is entitled:

- the expected value – the expected value is the sum of products of possible remuneration amounts and corresponding likelihoods that the occur. Expected value may be an appropriate estimate of the amount of variable remuneration if the Company enters into a large number of similar agreements.
- the most likely value – the most likely value is the single, most likely amount from among all possible remuneration amounts (i.e. the single most likely result of an agreement). The most likely value can constitute the proper estimate of the amount of variable remuneration if the agreement has only two possible results (e.g. either the Company earns a performance bonus or not).

The Company includes a certain part or the entirety of variable remuneration amount in the transaction price only to the extent that it is highly likely that a significant portion of previously recognized cumulative revenue amount will not be

reversed when the amount of variable remuneration is no longer uncertain. Any contingent changes in the transaction price are recognized prospectively.

Important financing element of an agreement

The Company has decided to take advantage of the practical simplification that was provided for and against adjusting the transaction price with the impact of the time value of money in the case of agreements for which the Company does not expect, upon execution thereof, that the period between the point when the Company transfers goods or services and the date of payment will be longer than one year.

The transaction price of agreements for which the Company expects, upon execution thereof, that the period between the point when the Company transfers goods or services and the date of payment will be longer than one year is adjusted with an important financing element. In the case of prepayments, the Company recognizes interest costs, while for payment terms longer than 12 months, the Company recognizes interest income accordingly.

In order to estimate the important financing element, the discount rate must be determined. The Company applies the rate that would have been applied if a separate financing transaction had been entered into between the entity and its customer upon agreement execution. In order to reflect the credit characteristics of the financing recipients, various discount rates are applied to transactions depending on whether the Company acts as the financing entity or financing recipient.

Discount rates are reviewed at the minimum when the financial statement is prepared and are applied to agreements executed after the date when the rate was updated.

The Company analyzed the provisions of the agreements executed with customers and arrived at a conclusion that in this aspect the agreements contain no important financing elements, considering the condition specified in IFRS 15.62 has been fulfilled, i.e. advances in significant amount have been prepaid for other reason than provision of financing to the customer, and the difference between the promised remuneration and the sale price in cash is proportional to the cause. Advances constitute collateral against the customer's failure to properly perform its part of contractual obligations, i.e. the payment of amounts due. Advances received are recognized in the balance-sheet under "Liabilities under contracts with customers".

Guarantees

The Company provides guarantees for products sold, which assure the customer that the product is compliant with the specifications agreed by the parties. The Company recognizes such guarantees in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Certain non-standard agreements with customers provide for extended guarantees. Such guarantees constitute a separate service and are recognized as a performance obligation to which a part of the transaction price is ascribed.

Sales of construction services

The Company determines the degree of progress in the completion of the performance obligation for each obligation on the basis of periodic reports presented by directors responsible for particular construction projects. Reports are prepared on a quarterly basis and specify the degree of progress in works and the estimation of costs incurred and budgeted.

Based on the reports, the data on the degree of progress is entered in the Company's accounting system and used for calculating revenues and costs.

The amounts recognised in the statement of profit or loss and in the balance sheet as assets and liabilities concerning contracts are determined as a ratio of the estimated degree of work progress to the estimated general costs of contracts and the estimated revenues from contracts.

If there is likelihood that the total agreement performance costs will exceed the total agreement revenues, the anticipated loss for the entire agreement is recognized as a cost in a period in which it was disclosed as provisions under the liabilities. When determining whether a given contract will lead to a loss, the Company deems those costs which cannot be avoided due to the agreement having been executed (in particular, those indirect costs which have been incurred in related to activities necessary to perform the agreement) as unavoidable costs of fulfilling the contractual obligation.

If revenues determined using the input-based method are higher than invoiced revenues, the Company presents the surplus (difference) in the balance-sheet assets under "Assets under agreements with customers".

If invoiced revenues are higher than revenues determined using the input-based method, the Company presents the surplus (difference) in the balance-sheet liabilities under "Liabilities under agreements with customers".

Through the quarterly verification process described above:

- the level of advancement of the work performed;
- the total costs of carrying out the works;
- the expected transaction price.

The Company ensures that the value of contract assets shown in the balance sheet does not exceed the amounts of remuneration obtainable in the future less the costs attributable to future periods.

This assurance is implemented primarily by periodically updating the reality of the assumed transaction price and cost budget. Applying the quarterly verified level of progress to these two current values then ensures that assets are recognized only to the extent that their implementation is possible.

The generated revenues of the Company are recognized in the operating segment only, which is the same reporting segment.

Professional judgment, 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. 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.

Revenue category	Character, essential payment terms and the moment of fulfilment of the obligation to perform the service
Revenues from the sale of long term construction services	Construction and assembly contracts cover various market segments, including: - tracks and contact line, - electric power engineering, - bridges,viaducts, tunnels, - roads and motorways. Obligations toperform the service related to the implementation of long term construction contracts are met in time. Revenue is not recognized when there is significant uncertainty in connection with obtaining due renumeration, reimbursment of cost incurred or the potential return of prodcuts and goods The company does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain in a significant element of financing.
Revenues from the sale of design services	Trakcja S.A. offers specialized design services in the field of study works, feasibility studies, conceptual designs, construction and executive projects, assembly projects, as-built projects, bidding and costing documents, as well as other specific analyses in the field of railway construction and railway transport technologies. Obligations to perform a service related to the implementation of project work are met at a specific point in time - at the moment of the transfer of control over the products of the project works. Revenue is not recognized when there is significant uncertainty in connection with obtaining due remuneration, reimbursement of costs incurred or the potential return of products and goods. The company does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain a significant element of financing
Revenue from renting equipment	The company offers rental services for railway construction works and all general construction works. Revenue from renting of the equipment is recognized in the statement of profit or loss in time in the amount of monthly invoices issued. The company does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain a significant element of financing.
Revenues from the sale of products, goods and materials	Revenue from the sale of products, goods and materials is recognized in the statement of profit or loss when control over them has been transferred to the buyer. In principle, the transfer of control is the moment when the significant risks and benefits resulting from their ownership were transferred. In the absence of specific arrangements between the parties (e.g., by applying Incoterms), sales revenue is recognized at the time of delivery to a customer. The company does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain a significant element of financing.
Revenue from the sale of transport services	Trakcja S.A. is a licensed railway carrier. Transportservices are rendered both under separate transport contracts and as part of the delivery of products and goods sold by the company. In the case of contracts for the supply of products together with the provision of transport services, revenue from the sale of transport services provided to a customer after the control over products or goods are recognized in the statement of profit or loss at the end of transport. Remuneration for transport services is indicated in contracts with customers and is included in sales invoices. Transaction price is assigned to transport services according to their individual sales price resulting from the applicable price lists. The company does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain a significant element of financing.

Sales revenue	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Contracts	771 174	631 680
Other sales	21 588	21 073
Total	**792 762**	**652 753**

Cost of goods sold	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Modified
Contracts	742 341	633 438
Other costs	35 130	43 815
Total	**777 471**	**677 253**

Gross profit (loss) on sales	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Modified
Contracts	28 833	(1 758)
Other	(13 542)	(22 742)
Total	**15 291**	**(24 500)**

Main types of products and services	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Construction and assembly services	760 692	615 405
Design services	10 481	16 275
Equipment rental	5 515	6 153
Deliveries of products (switchgears, supporting structures, etc.)	14 179	13 144
Deliveries of goods and materials	1 480	1 548
Others	415	228
Total	**792 762**	**652 753**

Allocation of revenues by country	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Poland	791 893	651 605
Hungary	9	-
Germany	402	1 148
Ukraina	458	-
Total	**792 762**	**652 753**

Allocation of revenues by recipients	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
General goverment	768 530	631 705
Private Sector	24 232	21 048
Total	**792 762**	**652 753**

Breakdown of sales revenues according to the duration of contracts, measured from the balance sheet date	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Contracts to 12 months	489 017	299 039
Contracts over 12 months	303 745	353 714
Total	**792 762**	**652 753**

Key recipients	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
PKP PLK S.A.		
Revenues obtained in the period from the recipient - amount in thous. PLN	564 140	511 983
% Share of revenues obtained from the recipient in relation to the total Company's revenues from sales	71%	78%
GDDKiA		
Revenues obtained in the period from the recipient - amount in thous. PLN	157 596	16 904
% Share of revenues obtained from the recipient in relation to the total Company's revenues from sales	20%	3%

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 year ended December 31, 2021 and prior years amounts to PLN 138,081 thousand.

Court claims

The Management Board of Trakcja negotiates payment of contractual claims proceeded in court from PKP PLK, the total amount of which as at the publication hereof amounts to approximately PLN 158.6 million (gross amount along with interest capitalized as at the date of filing the claim), including approx. PLN 120.3 million for Trakcja. Pursuant to internal analyses and opinions of external advisers, the Company includes in long-term contract budgets the court claims filed against contracting entities. The amount of court claims filed by the Company against contracting entities, accounted for in long-term contract budgets, was adjusted by the risk factor and the probability of receiving factor. The amount of claims recoverable by the Company is between PLN 35 and 55 million. The amount was estimated on the basis of expert opinions and estimates of the Company, based on historical data and analyses of individual contracts. The Management Board is not stating an exact amount of claims in the financial statements in the interest of pending negotiations with the contracting entity. In addition, the Company included revenues from contractual claims in the valuation of a significant road contract.

In addition, the Company has analyzed possible scenarios for two railway contracts concerning the feasibility and profitability of those contracts and the risks associated with the calculation of contractual penalties by the Contracting Entity in the event of default or execution of contracts in a different time from this resulting from the contracts concluded. In view of the impossibility of completing the agreed work for technical unfeasibility of the contracts concluded, the Company assumed that the most optimal scenario is the early termination of the contracts by mutual consent of the parties and the absence of penalties. At the same time, the Company does not exclude to withdraw unilaterally from the contracts. In the opinion of the Management Board of the Company, the charging of contractual penalties by the Contracting Entity would be unfounded and the Company took steps to lower such risks. In view of the above, on December 31, 2021, the budgets of the two contracts were intended to be completed after the finalization of the design phase. The Company has waived all other disclosures relating to these contracts by reference to paragraph 92 of IAS 37. In the opinion of the Management Board of the Company, such disclosures could provide information to other parties of contracts, which may be used contrary to the interests of the Company. Detailed information, including on actions taken in court, is given in note 5.3 of these financial statements.

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

Contractual claims

As at December 31, 2021, 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 Group'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 Group derogates from disclosure of detailed value of claims and indexation, since in the opinion of the Management Board of the Company, such disclosures could provide information to other parties to contracts, which may be used contrary to the interests of the Company.

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.

2.2. Operating expenses

Costs by type	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Modified
Depreciation	19 731	20 221
Consumption of materials and energy	190 864	204 395
External services	427 105	355 016
Taxes and charges	3 416	3 117
Payroll	127 479	122 173
Social security and other benefits	28 081	27 444
Other types of costs	34 516	28 362
Total costs by type	**831 192**	**760 728**
Change in inventories, products, accruals and provisions	(12 565)	(43 876)
The cost of producing products for the entity's own needs (negative value)	(8 199)	(11 218)
Sales, marketing and distribution costs (negative value)	(2 420)	(2 403)
General administrative expenses (negative value)	(30 604)	(27 724)
The cost of manufacturing products sold	**777 404**	**675 507**
Value of materials and goods sold	**67**	**1 746**
Cost of goods sold	**777 471**	**677 253**

Costs of remunerations and other employees benefits:	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Costs of payroll and employment termination benefits	123 630	119 594
Social security costs	23 614	23 308
Provisions for retirement pay and disability benefits	410	(61)
Provision for jubilee awards	(291)	219
Provision for unused leaves	2 374	2 421
Provision for bonuses	1 356	-
Employee benefits due to Employee Capital Plan	509	471
Other employee benefits	3 958	3 665
Total	**155 560**	**149 617**

Depreciation and amortization of fixed assets and intangible assets and impairment losses are recognised in the income statement:	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Items recognised in cost of goods sold		
Depreciation of fixed assets	18 258	18 886
Depreciation of intangible assets	304	361
Depreciation of investment properties	79	32
Total	**18 641**	**19 279**
Items recognised in cost of sales, marketing and distribution		
Depreciation of fixed assets	1	8
Total	**1**	**8**
Items recognised in general and administrative costs		
Depreciation of fixed assets	688	634
Depreciation of intangible assets	401	300
Total	**1 089**	**934**
Depreciation of fixed assets	18 947	19 528
Depreciation of intangible assets	705	661
Depreciation of investment properties	79	32
Total	**19 731**	**20 221**

2.3. Other operating revenues

	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Profit from sale of real estate at ul. Oliwska in Warsaw	18 589	-
Profit on sale of other non-financial non-current assets	1 974	1 046
Inventory surpluses	359	-
Received penalties and fines	60	132
Received donations	3	3
Valuation of investment properties	1 713	1 014
Written off expired liabilities	425	-
Redeemed liabilities	33	20
Revenue from patents and licenses	444	1 964
Other	1 559	1 009
Total	**25 159**	**5 188**

On October 12, 2021, the contract of sale was signed by Trakcja, on the basis of which real property and perpetual usufruct on Oliwska 11 Street in Warsaw were sold to Dantex sp. z o.o. sp. k. for the price of PLN 25,000 thousand net. The profit from the above sale recognized in the profit and loss account amounted to PLN 24,181 thousand. Detailed information is provided in current report No 43/ 2021 and in note 3.12.

2.4. Other operating costs

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Loss on disposal of non-financial fixed assets	-	171
Inventory shortages of stocks	-	66
Value of liquidated non-financial assets	191	432
Paid fines, compensation	382	478
Donations made	10	4
Paid costs of litigation	1 991	1 638
Write-down of the value of remaining sales	8	176
Loss on sale of shares, stocks and securities	478	-
Value of liquidated inventories	-	32
VAT not deductible	316	640
Other	1 680	1 481
Total	**5 056**	**5 118**

2.5. Financial revenues

Accounting principles

Interest income

Interest income is recognised as it accrues (using the effective interest rate method) by reference to the net carrying amount of a particular financial asset.

Dividend income

Dividends are recognised when the shareholders' right to receive the payment is established.

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Financial revenues from interest, including:	1 209	328
- bank interest	25	102
- loan interest	638	216
- receivables	531	-
- other	15	10
Income from received dividends	47 955	2 042
Revaluation of investments	3 158	-
Other	32	243
Total	**52 354**	**2 613**

In 2021 the Company recognised dividend income from subsidiaries in the total amount of PLN 47,995 thousand of which:

- PLN 45,347 thousand was a dividend from subsidiary AB Kauno Tiltai for the period from January to September 2021 along with unpaid earnings from previous years;
- PLN 212 thousand was a dividend from the subsidiary PRK 7 Nieruchomości sp. z o.o. adopted as a result of the company's net profit for 2020 distribution;
- PLN 2,396 thousand was a dividend from the subsidiary PEUiM sp. z o.o. adopted as a result of the company's net profit for 2020 distribution.

2.6. Financial costs

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Financial costs on account of interest, including:	20 107	19 032
- interest on loans and borrowings	11 873	11 078
- on liabilities	4 070	3 967
- on bonds	1 494	840
- on leasing	2 629	3 058
- on liability from employee benefits	41	63
- other	-	26
Write-off of investment value in subsidiaries	18 513	3 855
Foreign exchange loss	692	1 422
Settlement of currency hedging	270	-
Revaluation write-offs on bonds	67	44
Financial commission costs	5 395	1 602
Other financial costs	177	1 187
Total	**45 221**	**27 142**

Write-down on investment value in subsidiaries in the amount of PLN 18,513 thousand (2020: PLN 3,855 thousand) recognised in the financial costs in 2021 was described further in the Note 3.4.

2.7. Income tax

Accounting principles

The mandatory charges on the financial result consist of: current corporate income tax (CIT) and deferred tax

Current tax

Liabilities and receivables from the current tax for the current and previous periods are measured at the expected payment for the tax authorities (the expected refund from the tax authorities) calculated according to tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred income tax is calculated using the balance sheet liability method in respect of all the temporary differences occurring as at the balance sheet date between the tax value of assets and liabilities and their carrying amounts disclosed in the financial statements.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and is decreased as necessary, when it is no longer likely that future taxable income will be available to fully or partially capitalise the deferred income tax asset.

Income tax on transactions recognised directly in equity is recognised in equity and not in profit or loss.

The Company offsets the deferred income tax assets and the provisions for deferred income tax if, and only if, it has obtained an enforceable legal title to offset receivables against provisions for current income tax and if the deferred income tax refers to the same tax payer and the same tax authority.

Income tax in profit and loss statement

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Current income tax:	**-**	**2**
- current income tax charge	-	2
Deferred tax:	**5 648**	**(8 607)**
- related to increase and decrease in temporary differences	7 600	(6 205)
- revaluation of deferred tax assets	(1 952)	(2 402)
Total	**5 648**	**(8 605)**

Reconciliation of effective tax rate

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Gross profit	**9 503**	**(79 086)**
Income tax at applicable income tax rate of 19%	1 806	(15 026)
Tax effect of the approach:		
Use of tax losses from previous years	-	(147)
Revaluation of deferred tax assets	1 952	2 402
Effects of different tax rates in Group	-	(135)
Tax profit not constituting accounting profit	1 261	-
Tax costs not constituting accounting costs	(3 149)	(3 301)
Non-tax revenues constituting accounting revenues	(9 100)	(3 704)
Non-tax costs constituting accounting costs	12 878	11 306
Income tax at effective tax rate of 11% (2019: 9%)	**5 648**	**(8 605)**

Income tax recognised in other comprehensive income

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Foreign exchange differences on translation of foreign operations		
Gross amount	-	24
Net amount	**-**	**24**

Deferred income tax

Professional judgment, estimates and assumptions

Deferred tax asset

The Company recognises deferred tax asset based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. If taxable income deteriorates in the future, this assumption may prove invalid. The Company's Management Board reviews its estimates regarding the likelihood of recovering deferred tax assets taking into account changes in the factors on which such estimates were based, new information and past experience. The likelihood that deferred tax assets will be utilised against future taxable profits is based on budgets of the Company. Deferred tax assets are recognised by the Company to the extent that it is probable that taxable profit will be generated which will enable the deductible temporary differences to be offset.

Deferred tax assets

Title of temporary differences:	1.01.2020 Audited	Increase / Decrease	31.12.2010 Audited	Increase / Decrease	31.12.2021 Audited
Provision for bonuses, for non-competition and compensation	742	(720)	22	258	280
Provision for the audit	28	(1)	27	3	30
Provision for correction works	1 168	10	1 178	(329)	849
Provision for losses on contracts	14 938	(7 957)	6 981	(3 260)	3 721
Provisions for retirement and pensions	294	(78)	216	(85)	131
Provision for jubilee awards	219	7	226	(221)	5
Provision for unused leaves	1 216	268	1 484	217	1 701
Valuation allowance for trade receivables	2 211	751	2 962	2 294	5 256
Valuation allowance for other current assets	24	-	24	-	24
Unrealized foreign exchange losses	2	222	224	(4)	220
Accrued interest on liabilities	627	720	1 347	(463)	884
Valuation of bonds	-	8	8	13	21
Interest on receivable write-offs	108	-	108	-	108
Non-tax costs related to ongoing long-term contracts	50 522	(6 179)	44 343	(963)	43 380
Surpus of invoiced revenues over actual revenues - valuation of long-term contracts	5 193	6 000	11 193	615	11 808
The positive difference between the balance sheet depreciation and the tax depreciation	46	5	51	(1)	50
Tax loss	27 003	3 122	30 125	6 495	36 620
Unpaid wages and unpaid social security contributions	1 009	2 382	3 391	937	4 328
Payment gridlocks	-	5 452	5 452	(5 209)	243
Provision for costs	128	14	142	(16)	126
Others	991	2	993	(92)	901
Total deferred tax asset, including	**106 469**	**4 028**	**110 497**	**189**	**110 686**
influence on net profit	106 466	4 028	110 494	189	110 683
influence on equity	3	-	3	-	3

Deferred tax liabilities

Title of temporary differences:	1.01.2020 Audited	Increase / Decrease	31.12.2010 Audited	Increase / Decrease	31.12.2021 Audited
Surplus of actual revenues over invoiced revenues - valuation of long-term contracts	32 182	(7 222)	24 960	2 396	27 356
Non-tax revenue relating to long-term contracts	13 459	2 728	16 187	2 826	19 013
The negative difference between the balance sheet depreciation and the tax depreciation	1 952	(123)	1 829	34	1 863
Unrealized foreign exchange profits	55	(31)	24	(11)	13
Interest accrued on deposits, on financial assets	181	25	206	44	250
The right to perpetual usufruct	612	-	612	(235)	377
Revaluation of fixed assets to fair value	539	-	539	-	539
Investment property fair value adjustment	2 315	192	2 507	291	2 798
Financial lease agreements	3 953	(147)	3 806	262	4 068
Other	59	3	62	(5)	57
Total deferred tax liability, including	**55 307**	**(4 575)**	**50 732**	**5 602**	**56 334**
influence on net profit	52 926	(4 577)	48 349	5 837	54 186
influence on equity	2 381	2	2 383	(235)	2 148

	31.12.2021 Audited	31.12.2010 Audited
Deferred tax asset	110 686	110 497
Provisions for deferred tax	56 334	50 732
Netting deferred tax assets and liabilities	(56 334)	(50 732)
Deferred tax asset	**54 352**	**59 765**

The table below presents the final periods in which deferred income tax assets on tax loss may be settled in accordance with the Corporate Income Tax Act:

As at 31.12.2021	2022	2023	2024	2025	2026	Total
Assets due to deferred income tax on tax loss	4 081	10 519	11 097	6 799	4 124	**36 620**

As at 31.12.2020	2021	2022	2023	2024	2025	Total
Assets due to deferred income tax on tax loss	755	5 080	10 518	11 097	2 675	**30 125**

As at December 31, 2021, the Company did not recognise a deferred tax asset on tax loss of PLN 1,312 thousand (December 31, 2020: PLN 2,342 thousand), as it is unlikely that future taxable profit will be available against which the unused losses and unused tax credits can be utilized.

In accordance with the Corporate Income Tax Act, unrealised or written off assets on account of unused tax losses may be settled in the following periods:

As at 31.12.2021	2022	2023	2024	2025	2026	Total
The amount of not established/written down asset due to tax losses	998	57	157	100	-	**1 312**

As at 31.12.2020	2020	2021	2022	2023	2024	Total
The amount of not established/written down asset due to tax losses	-	2 228	-	57	57	**2 342**

2.8. Discontinued operations

No operations were discontinued neither in 2021 nor in 2020.

2.9. Earnings (loss) per share

Accounting principles

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 3.16 hereof.

	Year ended	
	31.12.2021	**31.12.2020**
	Audited	**Audited**
Net profit (loss) from continued operations	3 855	(70 481)
Net profit (loss) for financial year	3 855	(70 481)
Net profit applied to calculate diluted earnings per share	5 065	(69 801)
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	97 021 247

	Year ended	
	31.12.2021	**31.12.2020**
Profit (loss) per 1 share (in PLN/share):	**Audited**	**Audited**
- basic	0,04	(0,82)
- diluted	0,05	(0,72)

	Year ended	
	31.12.2021	**31.12.2020**
Profit (loss) from continued operations per 1 share (in PLN/share):	**Audited**	**Audited**
- basic	0,04	(0,82)
- diluted	0,05	(0,72)

3. Notes to the balance sheet

3.1. Tangible fixed assets

Accounting principles

Tangible fixed assets

Non-current assets are measured at cost less any accumulated depreciation and impairment losses. Non-current assets are initially recognised at cost increased by all costs directly related to their purchase and all costs necessary to bring the asset to the working condition for its intended use. This also includes costs of replacing components of machines and equipment, when incurred, if the recognition criteria are met. Any costs incurred after the non-current asset concerned has been put into operation, such as costs of maintenance or repairs, are recognised directly in profit or loss when incurred.

The carrying amount of non-current assets includes any costs of modernisation; however, any costs of regular and significant overhauls which are necessary to prevent failures and whose value differs significantly in individual reporting periods are recognised as prepayments. Any potential carrying amount of the previous overhaul is derecognised from the carrying amount of the non-current asset concerned.

Non-current assets (except for any land other than used for production of minerals by means of an open-cast method) are depreciated using the straight-line method over their expected useful life. The expected useful life of each asset is determined when the asset concerned is accepted for use. Non-current assets held under finance leases are depreciated according to the method determined by the Company for its own non-current assets. However, if the transfer of the ownership title is not certain, non-current assets held under finance leases are depreciated during their expected useful life or their lease term, whichever is the shorter. Any non-current assets which are not accepted for use directly, because they need to be assembled or adapted or have any other additional works carried out or expenses incurred, are recognised as non-current assets under construction until they are accepted for use.

Any non-current assets which are unused, withdrawn from use or intended for disposal or sale are measured at the amount no higher than their realisable net sales price.

Non-current assets are depreciated using the straight-line method. The depreciation rates applied reflect the expected useful life of non-current assets.

The expected useful life of non-current assets adopted by the Company is as follows:

- hardware — 3 years or a contractual term,
- tools and instrumentation — 5 years,
- ground containers — 22 years,
- boilers and furnaces — from 14 to 25 years,
- metalwork machinery — from 5 to 14 years,
- gas compressors — from 10 to 20 years,
- power generation devices — 13 years,
- heavy-duty building machinery — from 5 to 30 years,
- small equipment and machines — 10 years,
- technological wagons — from 14 to 25 years,
- storage, workshop and utility wagons — from 14 to 20 years,
- storage and utility containers — from 5 to 25 years,
- passenger vehicles and delivery vehicles (up to 3.5 t) — from 5 to 7 years,
- trucks (above 3.5 t) — from 5 to 10 years,
- office and social facilities — from 10 to 26 years.

The residual value, useful life and depreciation method of non-current assets are reviewed on an annual basis and changed if necessary, where the change made is effective from the beginning of the next financial year.

A non-current asset can be derecognised from the balance sheet on disposal or when no future economic benefits are expected from its further use. Any gain or loss on derecognition of the non-current asset concerned from the balance sheet (calculated as the difference between the potential net sales proceeds and the carrying amount thereof) is recognised in profit or loss for the period, in which the non-current asset is derecognised

Non-current assets under construction

Non-current assets under construction are measured at the total amount of costs directly related to their acquisition or manufacturing. This also includes any net financial costs relating to the servicing and collateral of the debt incurred (paid or accrued) in relation to non-current assets under construction until they are put into operation.

Any non-current assets under construction which are discontinued or intended for disposal or sale are measured at the amount no higher than their realisable net sales price.
Non-current assets under construction are depreciated no earlier than after their construction has been completed and they have been put into operation.
Any cost of refurbishing is recognised in the carrying amount of the tangible non-current assets, if the recognition criteria are met.

External borrowing costs
External borrowing costs attributable to the acquisition, construction or production of a qualifying asset are included in the cost of the asset in accordance with IAS 23. Any other external borrowing costs are recognised when incurred.

Professional judgment, estimates and assumptions

Depreciation rates
Depreciation/amortisation rates are set based on the anticipated useful lives of property, plant and equipment and intangible assets. The Company reviews the useful lives of its assets annually, on the basis of current estimates.

Fixed assets structure

	31.12.2021 Audited	31.12.2020 Audited
Fixed assets, including:	143 016	158 790
- land (including right of perpetual usufruct)	17 090	17 051
- buildings, premises, civil and water engineering structures	38 704	41 437
- technical equipment and machines	40 637	45 300
- vehicles	45 435	53 315
- other fixed assets	1 150	1 687
Fixed assets under construction	856	156
Total	**143 872**	**158 946**

Movements of fixed assets

Year ended 31.12.2021 Audited	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net book value at the beginning of the year	**58 488**	**45 300**	**53 315**	**1 687**	**156**	**158 946**
Increases - purchase	67	1 179	5 468	77	700	7 491
Rental additions accounted for in accordance with IFRS 16	3 559	86	-	-	-	3 645
Sale	-	(55)	(714)	-	-	(769)
Liquidation	-	-	(3 637)	-	-	(3 637)
Depreciation	(6 317)	(5 873)	(6 143)	(614)	-	(18 947)
Other decreases	(3)	-	(29)	-	-	(32)
Reduction related to the decision not to buy leased cars	-	-	(2 825)	-	-	(2 825)
Net book value at the end of the year	**55 794**	**40 637**	**45 435**	**1 150**	**856**	**143 872**
As at 31.12.2021 Audited						
(Gross) cost or value from valuation	73 276	106 088	104 051	11 588	856	295 859
Depreciation and imparment write-offs	(17 482)	(65 451)	(58 616)	(10 438)	-	(151 987)
Net book value	**55 794**	**40 637**	**45 435**	**1 150**	**856**	**143 872**

Year ended 31.12.2020 Audited	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net book value at the beginning of the year	**56 400**	**49 689**	**58 695**	**2 093**	**728**	**167 605**
Increases - purchase	940	1 123	3 530	323	-	5 916
Rental additions accounted for in accordance with IFRS 16	8 131	326	-	-	-	8 457
Movements between groups	-	54	-	-	(54)	-
Sale	-	(2)	(170)	-	-	(172)
Liquidation	-	(161)	(1 758)	-	-	(1 919)
Depreciation	(6 088)	(5 729)	(6 982)	(729)	-	(19 528)
Other decreases	(895)	-	-	-	(518)	(1 413)
Net book value at the end of the year	**58 488**	**45 300**	**53 315**	**1 687**	**156**	**158 946**
As at 31.12.2020 Audited						
(Gross) cost or value from valuation	73 346	115 510	121 024	11 583	156	321 619
Depreciation and imparment write-offs	(14 858)	(70 210)	(67 709)	(9 896)	-	(162 673)
Net book value	**58 488**	**45 300**	**53 315**	**1 687**	**156**	**158 946**

Ownership structure of fixed assets

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
Net book value	**55 794**	**40 637**	**45 435**	**1 150**	**856**	**143 872**

As at 31.12.2020 Audited	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Own	44 595	15 218	14 584	1 687	156	76 240
Used on the basis of a rental, lease, or other contract, including leasing	13 893	30 082	38 731	-	-	82 706
Net book value	**58 488**	**45 300**	**53 315**	**1 687**	**156**	**158 946**

Movements of fixed assets used under lease agreements

Year ended 31.12.2021 Audited	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net book value at the beginning of the year	**13 893**	**30 082**	**38 731**	-	-	**82 706**
Depreciation	(4 855)	(2 484)	(3 774)	-	-	(11 113)
Assets under new leases	3 560	86	5 354	-	-	9 000
Other increases / decreases	-	(2 188)	(4 371)	-	-	(6 559)
Reduction related to the decision not to buy leased cars	-	-	(2 824)	-	-	(2 824)
Net book value at the end of the year	**12 598**	**25 496**	**33 116**	**-**	**-**	**71 210**

Year ended 31.12.2020 Audited	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net book value at the beginning of the year	**11 330**	**36 747**	**43 967**	-	-	**92 044**
Depreciation	(4 673)	(2 875)	(4 421)	-	-	(11 969)
Assets under new leases	8 131	326	3 530	-	-	11 987
Other increases / decreases	(895)	(4 116)	(4 345)	-	-	(9 356)
Net book value at the end of the year	**13 893**	**30 082**	**38 731**	**-**	**-**	**82 706**

Under the perpetual usufruct right, the Company holds land classified as Land, buildings and structures with a net value of PLN 17,090 thousand (December 31, 2020: PLN 17,051 thousand).

The Company has off-balance sheet liabilities under signed agreements concerning the acquisition of property, plant and equipment, which have not yet been included in the balance sheet in the amount of PLN 2,800 thousand.

Information on property, plant and equipment pledged as collateral is presented in Note 5.2.

3.2. Intangible assets

Accounting principles

Intangible assets

Intangible assets acquired in separate transactions are recognised in the balance sheet at cost. Intangible assets acquired through the acquisition of a business entity are recognised in the balance sheet at fair value as at the acquisition. Upon their initial recognition, intangible assets are measured at cost less any accumulated amortisation and any impairment losses thereon.

Any expenditure on internally generated intangible assets, except for the capitalised development expenditure, is not capitalised and is recognised in costs in the period in which it is incurred.

Intangible assets with a definite useful life are amortised using the straight-line method over the useful live and tested for impairment whenever there is any indication that they may be impaired. For the intangible assets with a definite useful life the amortisation period and the amortisation method are reviewed at least at the end of each financial year. Any changes in the expected useful life or the expected consumption of economic benefits generated by a given asset are recognised through a change, respectively, in the amortisation period or in the amortisation method and treated as changes in the estimated values. Amortisation of the intangible assets with a definite useful life is recognised as profit or loss in the item which corresponds to the function of a given intangible asset.

Intangible assets with an indefinite useful life and those that are not in use are annually tested for impairment individually or jointly as cash-generating units.

- Patents and licenses agreement period,
- Development costs 3 years,
- Computer software 2 years.

Research and development

Research and development costs are recognised in profit or loss as costs when incurred. Any development expenditure incurred as part of a given project is carried forward to the next period, when it is assumed that it will be recovered in the future. After the initial recognition of development expenditure, the historical cost model is applied, according to which assets are recognised at cost less any accumulated amortisation and impairment losses. Any expenditure carried forward to the next period is amortised over the expected period of revenue generated from sale of a given project.

Development costs are tested for impairment on an annual basis if a given asset has not yet been put into operation or, more frequently, when during the reporting period there is any indication that their carrying amount may be impossible to recover.

As at each balance sheet date, any development costs that are in progress are disclosed in intangible assets as a separate item (“Intangible assets under construction”)

Goodwill

Goodwill arising on acquisition of a business is initially recognised at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is carried at acquisition cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if there is any indication of impairment. Goodwill is not amortised.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the business combination. Each unit or group of units to which goodwill has been allocated should:

- represent the lowest level within the Company at which the goodwill is monitored for internal management purposes and
- not be greater than a single operating segment, determined in accordance with IFRS 8 Operating Segments before aggregation.

Professional judgment, estimates and assumptions

Non financial assets impairment

Impairment is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognised.

The calculation of the recoverable amount of a cash-generating unit uses projections of cash flows over a five-year period. Management shall determinethe budgeted margin based on historical performance, updated contract budgets and its projections of market developments. Weighted average growth rates are consistent with the forecasts presented in industry reports. The discount rate used is the pre-tax rate, reflecting specific risks not included in the flow forecasts.

Amortisation rates

Amortisation rates are set based on the anticipated useful lives of property, plant and equipment and intangible assets. The Company reviews the useful lives of its assets annually, on the basis of current estimates.

Intangible assets structure

	31.12.2021 Audited	31.12.2020 Audited
Research and development costs	200	435
Goodwill	48 732	48 732
Acquired concessions, patents, licences and similar items of value, including:	1 428	1 773
- software	1 275	1 581
Intangible assets under construction	810	315
Total	**51 170**	**51 255**

Ownership structure of intangible assets

	31.12.2021 Audited	31.12.2020 Audited
Proprietary	51 170	51 255
Total	**51 170**	**51 255**

Movements of intangible assets

Year ended 31.12.2021 Audited	Research and development expenses	Goodwill	Software licences	Other licences, concessions, patents	Intangible assets under construction	Total
Net book value at the beginning of the year	**435**	**48 732**	**1 581**	**192**	**315**	**51 255**
Increases	-	-	125	-	967	1 092
Depreciation	(235)	-	(431)	(39)	-	(705)
Other decreases	-	-	-	-	(472)	(472)
Net book value at the end of the year	**200**	**48 732**	**1 275**	**153**	**810**	**51 170**
As at 31.12.2021 Audited						
(Gross) cost or value from valuation	6 867	48 732	8 567	390	810	65 366
Depreciation and impairment write-offs	(6 667)	-	(7 292)	(237)	-	(14 196)
Net book value	**200**	**48 732**	**1 275**	**153**	**810**	**51 170**

Year ended 31.12.2020 Audited	Research and development expenses	Goodwill	Software licences	Other licences, concessions, patents	Intangible assets under construction	Total
Net book value at the beginning of the year	**722**	**48 732**	**266**	**231**	**559**	**50 510**
Increases	-	-	1 285	-	146	1 431
Movements	-	-	366	-	(366)	-
Depreciation	(287)	-	(336)	(39)	-	(662)
Other decreases	-	-	-	-	(24)	(24)
Net book value at the end of the year	**435**	**48 732**	**1 581**	**192**	**315**	**51 255**
As at 31.12.2020 Audited						
(Gross) cost or value from valuation	6 867	48 732	8 442	390	315	64 746
Depreciation and impairment write-offs	(6 432)	-	(6 861)	(198)	-	(13 491)
Net book value	**435**	**48 732**	**1 581**	**192**	**315**	**51 255**

In 2021 and 2020, the Company did not recognise expenses in the income statement which were not capitalised in intangible assets as research and development expenses.

Information about collaterals on intangible assets can be found in Note 5.2.

Goodwill impairment test

	31.12.2021 Audited	31.12.2020 Audited
Goodwill from acquisition and merger with PRKiI S.A.	2 051	2 051
Goodwill from acquisition and merger with PRK7 S.A.	46 681	46 681
Total	**48 732**	**48 732**

Goodwill resulting from the merger with PRK-7 S.A. (PLN 46,681 thousand) and goodwill resulting from the merger with PRKiI S.A. (PLN 2,051 thousand) were allocated to the cash-generating unit ("CGU") that consisted of the following companies: Trakcja, Torprojekt sp. z o.o. and Bahn Technik Wrocław sp. z o.o. As at the balance sheet date, the goodwill allocated to this CGU was tested for impairment and it was concluded that there are no grounds to recognise an impairment loss on goodwill. Assumptions used to determine the recoverable amount of the cash-generating unit:

CGU: **Trakcja S.A., Torprojekt sp. z o.o., BTW sp. z o.o.**	31.12.2021 Audited	31.12.2020 Audited
WACC before taxation	12,0%	9,5%
WACC after taxation	9,7%	7,7%
EBITDA margin	4,6% - 7,4%	3,3% - 6,8%
Growth rate in the residual period	2,0%	2,0%

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

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	22 437	(22 437)
WACC	+/- 0,25 p.p.	(11 590)	12 323

The Company analysed the sensitivity, using after-tax discount rate, 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.

3.3. Investment properties

Accounting principles

The Company's investment properties include buildings and land held to earn rentals or for capital appreciation. Investment properties acquired in separate transactions are initially measured at cost including transaction costs. Otherwise, e.g. when acquired as a result of the acquisition of another business entity, they are initially measured at their fair value.

Any change in fair value of the investment properties during a given year is recognised in profit or loss. If the Company's asset is transferred to the investment properties, the difference between its fair value and its carrying amount is recognised in other comprehensive income, and any further changes thereto are recognised in profit or loss.

Professional judgment, estimates and assumptions

Classification to investment property

The Company's Management Board classifies properties into the category of property, plant and equipment or investment properties depending on their intended use by the Company.

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 and with up-to-date experience in evaluating properties at the locations similar to those of the Company's assets. The Company also verifies the received opinions on fair value by analysing data derived from the active market (market prices) of similar investment properties with similar location and in similar condition. Such analyses are carried out by persons who have knowledge of the market. 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 Company's buildings classified as investment properties are measured applying the cost method or the income method. In accordance with IFRS 13, the cost method reflects the amount that would be necessary at a given moment in order to recreate the rate of return on a given asset (often called the current replacement cost). In many situations, the current replacement cost method is used for establishing fair value of mineral assets that are used in combination with other assets or with other assets and liabilities. The properties measured fall into the category of the regional market, and their construction elements are measured using the cost-based approach, the cost replacement method and the analysis ratios and integrated elements. The income-based approach consists in the determination of the property's value, assuming that its buyer will pay for it a price that depends on the income expected from the property and that the maximum amount paid by the buyer will not exceed the price for which the buyer could buy any other property with the same rate of return and the same level of risk. In keeping with the Generally Accepted National Measurement Principles, the income-based approach is applied in order to establish the value of properties that generate income or create opportunities for generation of income, assuming that income is the key factor that affects the value of such properties. Any proceeds from leases and other rights to a given property and also any other non-rent proceeds generated from the property constitute the basis for calculating income from the property concerned. Other non-rent proceeds may include, in particular, income from advertising boards, cellular phone antennae, ATMs, car parks, etc. located at the property.

Fair value of land that forms part of the investment properties is measured through the reference to the market transaction prices for similar properties (comparable method). Comparative approach involves the measurement of the property based on the assumption that its value should be equal to the price for similar properties traded on the market, adjusted considering characteristics that differ such properties (i.e. location, development or surface) and determined taking into account changes in prices in time.

Sensitivity analysis shows that the market valuation model is sensitive mainly to the prices of similar properties selected for evaluation, and the cost model is sensitive to the replacement cost and the adopted degree of wear and tear.

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

Year ended 31.12.2021 Audited	Land	Buildings, premises and engineering facilities	Total
Net book value at the beginning of period	**20 806**	**3 175**	**23 981**
Depreciation	(79)	-	(79)
Revaluation based on an external valuation	1 713	-	1 713
Change of destiny	27	-	27
Other decreases	-	(186)	(186)
Net book value at the end of period	**22 467**	**2 989**	**25 456**

Year ended 31.12.2020 Audited	**Land**	**Buildings, premises and engineering facilities**	**Total**
Net book value at the beginning of period	**16 253**	**3 536**	**19 789**
Depreciation	(32)	-	(32)
Revaluation based on an external valuation	1 375	(361)	1 014
Revaluation in connection with the change of the perpetual usufruct fee for land	3 210	-	3 210
Net book value at the end of period	**20 806**	**3 175**	**23 981**

The impact of unobservable input data on fair value of property depending on valuation technique

	Valuation technique used	Unobservable input data	Link between unobservable input data and fair value
Office - land	Comparative approach	Location (20%) Accessibility (20%) Function in development plan/study (20%) Development state, size and shape of the plot (20%) Location, accessibility (10%) Ownership form (10%)	these factors affect the value of the weighting adopted in measuring the fair value of real estate
		Average market price of comparable real estate	an increase in the market value of comparable real estate will increase the fair value of real estate
Office - buildings	Income approach	Capitalization rate (8,5%)	higher capitalization rate will decrease the fair value of real estate
		Operating expenses - 117 tys. zł	an increase in operating expenses will adversely affect the fair value of the real estate
		Vacancies and rent arrears loss rate (10%)	higher vacancies and rent arrears loss rate will adversely affect the fair value of the real estate
Office - buildings	Income approach	Capitalization rate (10,5%)	higher capitalization rate will decrease the fair value of real estate
		Operating expenses - 92 tys. zł	an increase in operating expenses will adversely affect the fair value of the real estate
		Vacancies and rent arrears loss rate (10%)	higher vacancies and rent arrears loss rate will adversely affect the fair value of the real estate
Office and warehouse properties	Cost approach	Replacement cost value	increase in the replacement cost will increase the fair value of real estate
		Requisite degree of technical wear 50% - 85%	higher the degree of technical wear adversely affect the fair value of the property

Sensitivity analysis demonstrates that the comparable method is sensitive to changes in the prices of similar properties selected for evaluation, while in the case of property valuation using the income method, it is sensitive to the discount rate amount as well as the size of the expected property income flows.

In 2021 the measurement method remained unchanged.

The measurement of investment properties as at December 31, 2021 demonstrated an increase in their value in the amount of PLN 2,395 thousand which was recognised in the other operating costs.

Details of fair value hierarchy as at December 31, 2021 and December 31, 2020:

	31.12.2021 Audited	Level 1	Level 2	Level 3
Investment real estate:	**25 456**	-	-	**25 456**
Office real estate:	25 456	-	-	25 456
- land	22 467	-	-	22 467
- buildings	2 989	-	-	2 989

	31.12.2020 Audited	Level 1	Level 2	Level 3
Investment real estate:	**23 981**	-	-	**23 981**
Office real estate:	23 981	-	-	23 981
- land	20 806	-	-	20 806
- buildings	3 175	-	-	3 175

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.

Revenues and expenses concerning investment properties

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Rental income from investment property	144	144
Direct operating expenses from investment property that during the period generated rental income	(51)	(55)
Direct operating costs related to investment properties that did not generate rental income in a given period	(77)	(76)

Information on collateral provided on investment properties is presented in Note 5.2.

3.4. Investments in subsidiaries

Accounting principles

Shares in related entities are recognised at cost less any impairment losses. Pursuant to IAS 36 Impairment of Assets, impairment losses are recognised by way of comparing the asset's carrying amount with the higher of the asset's fair value less any costs of disposal or the asset's value in use.

Professional judgment, estimates and assumptions

Impairment of investment in subsidiaries

As at the balance sheet date, the Company is required to assess whether there is any indication that an asset may be impaired. If there is an indication that an asset may be impaired or that an annual impairment test needs to be conducted in order to check whether an asset has been impaired, the Company calculates the asset's recoverable amount.

The asset's recoverable value corresponds to the higher of the asset's or cash-generating unit's fair value less any selling costs or the asset's or cash-generating unit's value in use. It is determined for individual assets unless a given asset generates no cash flows that are mostly independent of those generated by other assets. If the carrying amount of an asset is higher than its recoverable value, the asset is impaired and an appropriate impairment loss is recognised. For the value in use to be determined, the forecast cash flows are discounted to their present value using a discount rate before tax, which reflects the present market estimation of the value of money in time and a risk typical of a given asset. Impairment losses on assets used in the ongoing business activities are recognised in other operating costs.

For the purposes of testing shares for impairment, each related entity was treated as a separate cash-generating unit. The recoverable amount of an investment is determined by calculating the value in use. With the exception of PRK7 Nieruchomości sp. z o.o., where due to the long-term nature of the investment plans the 10-year projection was used, the calculations use cash flow projections over a five-year period. Cash flows beyond the five-year period, and in the case of PRK7 Nieruchomości sp. z o.o. – ten-year period, were estimated by calculating the residual value computed using discount rates calculated as the weighted average cost of capital (own and borrowed). The growth rate in the residual period was set at 2%. 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 31.12.2021 r.

Company name	Location	Business object	Character of relation/consolidation method	Date of taking control	Value of shares/stocks at aquisition 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	218 138	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%
Total					**436 241**	**288 940**		

**) 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.*

As at 31.12.2020 r.

Company name	Location	Business object	Character of relation/consolidation method	Date of taking control	Value of shares/stocks at aquisition 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.	Warszawa	real estate development activities	subsidiary/full method	01.09.2007	17 169	17 169	100,00%	100,00%
Torprojekt sp. z o.o.	Warszawa	designing activities	subsidiary/full method	04.11.2010	1 400	1 400	82,35%	82,35%
AB Kauno Tiltai*	Kowno	construction and installation activities	subsidiary/full method	19.04.2011	364 109	236 651	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%
Total					**436 241**	**307 453**		

Investment impairment test

As at December 31, 2021 the investment impairment tests were performed.

Main assumptions adopted for investment impairment testing:

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

As at 31.12.2020	PRK7 Nieruchomości sp. z o.o.	PEUiM sp. z o.o.	AB Kauno Tiltai	BTW sp. z o.o.
WACC before taxation	9,5%	9,5%	8,5%	9,5%
WACC after taxation	7,7%	7,7%	7,2%	7,7%
EBITDA margin	2,3% - 5,4%	5,4% - 8%	3,7% - 5,3%	11,8% - 18,4%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

As a result of the impairment loss tests being performed as at December 31, 2021, a potential impairment loss was recognised in the amount of PLN 18,513 in the investment in AB Kauno Tiltai. Other investments in shares of Trakcja Group companies have been disclosed in the same amounts as in the financial statements as at 31 December 31, 2020.

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%	654	(654)
WACC	+/- 0,25 p.p.	(759)	808

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

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	1 281	(1 281)
WACC	+/- 0,25 p.p.	(913)	972

Sensitivity analysis for the investment in AB Kauno Tiltai:

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	14 400	(14 400)
WACC	+/- 0,25 p.p.	(14 806)	16 372

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

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	1 455	(1 455)
WACC	+/- 0,25 p.p.	(753)	801

The Company performed the sensitivity analysis for changes in EBITDY +/- 2.5% and in WACC +/-0.25 p. p., which demonstrated that a rational change in assumptions would not result in an impairment loss being recognised, except for the investments in AB Kauno Tiltai, for which the impairment losses were recognised. Therefore, any additional change in the aforementioned parameters would result in the recognised impairment losses on the investments being changed.

The tests for impairment losses were performed as at the balance sheet day, 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 (-).

As at March 31, 2022 the factors that could indicate impairment in investments in subsidiaries were identified as follows:

- significant rise of market interest rates in the first quarter of 2022;

- start of the conflict in Ukraine, as at March 31, 2022 (balance sheet date) compared to balance sheet date as at December 31, 2021 the country-specific risk in the Central and Eastern Europe has risen, including Poland and Lithuania.

The elements presented above have an impact on discount rate used to calculate the value in use of investment in subsidiaries, which can lower their recoverable amount. As at the day of approval of the financial statements hereof it is not possible to estimate the impact of this particular impairment. Due to the fact that as at December 31, 2021 Trakcja established a write-down for investment in AB Kauno Tiltai, there is a risk concerning the further impairment of the investment as at March 31, 2022 due to the changes in the above-mentioned market elements.

3.5. Jointly controlled activity – contracts under consortium agreements

Accounting principles

Revenue from consortium agreements

The Company implements certain contracts under consortium agreements whereby it acts as a consortium leader. The Company does not recognize in the income statement the portion of revenue and expenses attributable to consortium members – in accordance with IFRS 11.

At the same time, the Company recognises in the balance sheet only that portion of assets and liabilities that is attributable to the Company's share in jointly controlled operations.

Professional judgment, estimates and assumptions

Classification of joint contractual arrangements

Based on an analysis of an agreement, 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 form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances.

The name of the contract	Country of contract implementation	% Share of the company in the consortium	
		31.12.2021	31.12.2020
Modernization of the railway line E 30/C-E30 section Cracow – Rzeszów, stage III (Dębica - Sędziszów Małopolski)	Poland	86,3%	86,3%
Implementation of construction works under tender No. 1 - modernization of Jaworzno Szczakowa-Trzebinia section (km 1,150 - 0,000 of route No. 134, km 15,810 - 29,110 of route No. 133)	Poland	55,7%	55,7%
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"	Poland	49,6%	49,8%
Design and reconstruction of the 110kV line from GPZ Radzyń-GPZ Łuków	Poland	15,9%	15,9%
Design and construction of the S61 express road Szczuczyn - Budzisko (state border) with the division into tasks "Task no. 2: section Ełk Południe junction - Wysokie junction (along with the exit on route 16)"	Poland	48,9%	51,9%
Design and construction of the S5 expressway on the section Nowe Marzy - Bydgoszcz - border of the kujawsko-pomorskie and wielkopolskie voivodeships divided into 4 parts: part 4 Design and construction of the S5 expressway, section from junction (Szubin) with junction to junction (Jaroszewo) with a junction of length 19.3 km	Poland	63,3%	65,5%
Reconstruction of track systems along with the accompanying infrastructure on the E59 railway line, section Stargard - Szczecin Dąbie as part of the project "Works on the E-59 railway line, Poznań Główny - Szczecin Dąbie section"	Poland	61,5%	61,6%

The table below presents revenues and expenses attributable to consortium participants not recognized in the Company's profit and loss statement.

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Sales revenue	212 460	71 410
Cost of goods sold	(211 231)	(70 769)
Gross profit (loss) on sales	**1 229**	**641**

In balance sheet as at December 31, 2021, the Company did not recognize trade receivables attributable to consortium participants in the amount of PLN 25,651 thousand (31.12.2020: PLN 14,156 thousand) as well as trade liabilities attributable to consortium participants in the amount of PLN 26,087 thousand (31.12.2020: PLN 14,194 thousand).

3.6. Other financial assets

Accounting principles

Loans granted recognised in financial assets are granted to other entities in the Trakcja Group. The Company assesses the credit risk of these entities on the basis of their financial position and possible arrears in interest or principal payments. A significant increase in credit risk and, as a consequence, the transfer of receivables to Stage 2 occurs in the case of:

- the occurrence of a backlog of at least 30 days, exceeding 1% of the exposure balance,
- amend the terms of the contract with regard to its extension, where such an extension is not offset by an appropriate change in the interest rate reflecting the extended duration of the loan or where the terms of the extension contain a preference not normally available,
- deterioration of the borrower's financial situation, where this deterioration is analyzed individually on the basis of financial information sent by borrowers.

With regard to loans granted, the Company assumes that failure to meet the terms of the contract (default) occurs in the event of arrears of at least 90 days in terms of interest or capital of the loan granted.

	31.12.2021 Audited	31.12.2020 Audited
Assets valued at amortized cost		
Guarantees deposits	11 582	8 362
Loans granted and receivables	8 792	6 360
Total	**20 374**	**14 722**
including:		
- recognised as non-current assets	*17 041*	*6 241*
- recognised as current assets	*3 333*	*8 481*

In 2021 there was no impairment of particular financial assets.

Classification of loans granted according to credit risk

	As at 31.12.2021		Ast at 01.01.2020	
	Gross value	Expected credit losses	Gross value	Expected credit losses
Stage 1. Loans for which there has been no significant increase in credit risk since they were granted	8 792	-	6 360	-
Stage 2. Loans for which there has been a significant increase in credit risk since their granting	-	-	-	-
Stage 3. Loans for which there is an individual condition for impairment	-	-	-	-

3.7. Prepayments and accruals

Accounting principles

Prepayments include in particular:

- rents paid in advance,
- insurance,
- subscriptions,
- maintenance repairs,
- external services to be rendered in the following periods, but paid for in advance.

Prepayments are settled respectively to the lapse of time or the quantity of services rendered. The time and manner of settlement depends on the nature of the costs settled on a prudent basis.

If costs attributable to future periods are not settled within the nearest 12 months from the balance sheet date, they are disclosed in the balance sheet as a separate item ("Long-term prepayments").

Prepayments structure

	31.12.2021 Audited	31.12.2020 Audited
Prepayments, including:	16 336	14 942
- insurance and insurance guarantees	12 927	10 525
- renovations	103	-
- repair and maintenance of wagons, locomotives	3 306	4 417
Other prepayments and accruals	511	343
Total	**16 847**	**15 285**

Age structure of prepayments

	31.12.2021 Audited	31.12.2020 Audited
Long-term	5 627	6 423
Short-term	11 220	8 862
Total	**16 847**	**15 285**

Deferred income structure

	31.12.2021 Audited	31.12.2020 Audited
Settlement of deferred income	1 099	716
Total	**1 099**	**716**

Age structure of deferred income

	31.12.2021 Audited	31.12.2020 Audited
Short-term	1 099	716
Total	**1 099**	**716**

3.8. Inventories

Accounting principles

Inventory is measured at cost no higher than realisable selling price as at the balance sheet date.
The cost does not include:

- any costs arising from unused production capacity and production losses,
- any costs of storage, unless they are indispensable for the manufacturing process,
- any margin on internal turnover (any margin on services rendered by the auxiliary business activities for the core business activities and any margin on internal sales between different sections of the core business activities), which is excluded together with the cost of internal turnover,
- any general and administrative costs and any costs of sales, marketing and distribution.

Any inventory that is used or sold is measured at the prices (costs) of the assets, which were acquired (manufactured) first by the entity, i.e. according to the FIFO (First in First out) method. Write-downs of inventory made because its value has declined or adjusted to the net realisable value are recognised in the balance sheet and classified as part of the cost of goods sold.
Reversals of write-downs are recognised as decreases in the cost of goods sold.
The net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Professional judgment, estimates and assumptions

Inventories impairment
The Management Board assesses whether there are indications of the possibility of impairment of inventories. The determination of impairment requires the estimation of the net realisable value of inventories that have become obsolete or are no longer suitable for use.

	31.12.2021 Audited	31.12.2020 Audited
Materials	48 816	42 325
Semi-finished goods and products in progress	3 007	3 931
Finished goods	398	380
Merchandise	107	10
Total, gross inventory	**52 328**	**46 646**
Inventory revaluation write-offs	**(152)**	**(152)**
Materials	48 691	42 200
Semi-finished goods and products in progress	3 007	3 931
Finished goods	371	353
Merchandise	107	10
Total, net inventory	**52 176**	**46 494**

Costs of inventories recognised in operating expenses of the current period amounted to PLN 162,196 thousand (PLN 179,214 thousand in 2020).

During the financial year there were no changes in the write-down of inventories.

Collaterals have been established on inventories, details in Note 5.2 of this report.

3.9. Trade and other receivables

Accounting principles

The Company recognises a receivable if its right to remuneration is unconditional, i.e. if the only condition for the remuneration to be due is the expiry of a certain period of time.
Short-term trade receivables and other receivables are measured at amortised cost using the effective interest rate at the initial recognition and are reduced by any impairment losses.
Receivables maturing in more than 12 months include retentions which serve as additional security for the proper performance of contracts.
The Company decided not to recognise the discount of long-term receivables due to their immateriality.
Trade receivables bear no interest and are usually payable within 30 days.
The Company operates a policy of selling its products and services only to customers whose credibility has been verified. The management believes that thanks to this policy there is no additional credit risk beyond the level defined by the impairment losses recognised with respect to uncollectible trade receivables of the Company.
Due to the short-term nature of trade receivables, their carrying amount approximates their fair value.

Professional judgment, estimates and assumptions

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. For other receivables and financial instruments held, the Company recognises an allowance for 12-month expected credit losses if the credit risk is low or has not increased significantly since initial recognition of receivables in the balance sheet and at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.
In accordance with IFRS 9, the Company recognises an allowance for expected credit losses on trade receivables and other receivables. In the field of trade receivables, the Company uses a simplified approach for receivables considered in groups - for these types of receivables, an allowance for lifetime credit losses is calculated, regardless of the analysis of changes in credit risk. The Company excludes receivables from PKP PLK S.A. from the group analysis due to the probability of default equal to zero and applies an individual approach to these receivables.
In the calculation of the expected credit loss, the Company applies a practical simplification in accordance with IFRS 9 – expected lifetime credit losses related to trade receivables are assessed through the prism of the "aging table of overdue receivables". Requirements:

- is based on historical experience,
- fix a fixed % of write-offs,
- the tables are different for groups of customers with different historical experiences.

For three financial years prior to the year under analysis (T-2 and T-1), the Company determines how many invoices issued during the year were finally paid in each of the brackets. On this basis, the next statement is created - a cumulative statement of total sales on invoices for subsequent periods (how many of the invoices issued in a given year were in the bracket of 0-30 days past due for at least 1 day, how many invoices were in the bracket of 31-60 days for at least 1 day, etc. up to the amount of invoices that were never paid).
The amount of receivables unpaid is applied to each of the aggregated amounts in order to calculate the portion of the receivables in a given bracket that will not be recovered. This percentage is used as the allowance ratio for the bracket. The amount of unpaid receivables may be adjusted either upwards or downwards depending on the Company's expectations concerning future non-recoverable amounts due to trends in the factors affecting the recoverability of receivables.
Weights are assigned to the allowance ratios for each year under review and the weighted average allowance ratio is calculated for each bracket.This calculation method ensures calculation of future expected credit losses based on historical loss experience for each age bracket of receivables and enables modification of the allowance ratio for expected changes in the recoverability of receivables.
The Company excludes receivables from PKP PLK S.A. from the group analysis due to the probability of default equal to zero and applies an individual approach to these receivables.
Creation and reversal of write-downs of the value of trade receivables and other receivables is presented in the cost of sale.

Trade and other receivables structure

	31.12.2021 Audited	31.12.2020 Audited
Gross trade receivables, before discounting	294 417	289 396
Total, gross trade receivables	**294 417**	**289 396**
including:		
- receivables from related entities	*16 567*	*2 232*
Budgeted receivables	2 186	2
Receivables claimed in court	20 643	3 641
Other receivables from third parties	32 089	32 488
Receivables from sale of property	-	53 000
Amounts held	2 665	22 791
Total, gross trade and other receivables	**352 000**	**401 318**
Expected credit loss	(121 375)	(93 463)
Total	**230 625**	**307 855**

Receivables from related parties are disclosed in Note 5.4.

Net trade receivables and retentions

	31.12.2021 Audited	31.12.2020 Audited
Net trade receivables	**201 670**	**294 625**
With maturity within 12 months	201 035	272 887
With maturity over 12 months	635	21 738
Total, net trade receivables after discounting	**201 670**	**294 625**

Total retentions maturity structure

	31.12.2021 Audited	31.12.2020 Audited
Up to 12 months	2 083	1 105
Over 12 months	582	21 686
Total	**2 665**	**22 791**

As at balance sheet date i.e. December 31, 2021, 60% of the total receivables of Trakcja were receivables from PKP PLK (31.12.2020: 59%) and 13% of them were from GDDKiA (31.12.2020: 7%).

Change in expected credit loss on trade and other receivables

	31.12.2021 Audited	31.12.2020 Audited
As at start of period	**93 463**	**70 113**
Increases	**35 733**	**25 838**
Establishment	35 733	25 838
Decreases	**(7 821)**	**(2 488)**
Use	(894)	(235)
Dissolution	(6 927)	(2 253)
As at end of period	**121 375**	**93 463**

During 2021 the Company created write-down of receivables due to deliveries and services and other receivables in the amount of PLN 34,680 thousand (the amount of PLN 6,635 thousand was included in contract budget as a reduction in revenues, the amount of PLN 6,731 thousand related to the creation of write-off of debit notes issued by the Company to customers and subcontractors during the same accounting period, and thus did not affect the financial result of the period). The amount of the created write-down of receivables due to deliveries and services and other receivables that affected the gross result from sales in 2021 is PLN 21,314 thousand.

Net trade receivables and retentions by maturity

	31.12.2021 Audited	31.12.2020 Audited
Up to 1 month	128 965	132 055
From 1 month to 3 months	16 998	12 320
From 3 months to 6 months	440	2 671
From 6 months to 1 year	924	5
More than 1 year	635	21 738
Overdue receivables	53 708	125 836
Total, net trade receivables and amounts held	**201 670**	**294 625**

Overdue receivables and retentions structure

	31.12.2021 Audited	31.12.2020 Audited
Up to 1 month	7 556	70 226
From 1 month to 3 months	1 395	22 389
From 3 months to 6 months	7 402	4 356
From 6 months to 1 year	24 874	5 297
More than 1 year	90 062	90 275
Total, gross overdue trade receivables	**131 289**	**192 543**
Receivables revaluation write-offs	(77 581)	(66 707)
Total, net overdue trade receivables	**53 708**	**125 836**

Currency structure of gross trade and other receivables

	31.12.2021 Audited	31.12.2020 Audited
In PLN	334 990	399 514
In foreign currencies - after conversion into PLN, including:	17 010	1 804
in EUR	17 010	988
in BGN	-	813
Others	-	3
Total	**352 000**	**401 318**

Receivables claimed in court

	31.12.2021 Audited	31.12.2020 Audited
Receivables claimed in court	20 643	3 641
Revaluation write-offs on receivables claimed in court	(20 643)	(3 641)
Total	**-**	**-**

3.10. Cash and cash equivalents

Accounting principles

Cash and short-term deposits in the balance sheet include cash at bank and in hand as well as short-term deposits with an original maturity of three months or less.
Cash in the bank is remunerated at variable interest rates, the amount of which depends on the interest rate on one-day bank deposits.
Short-term deposits are made for different periods, from one day to one month, depending on the Company's current cash needs and are remunerated at negotiated interest rates.

Cash and cash equivalents disclosed in balance sheet and statement of cash flows were as follows:

	31.12.2021 Audited	31.12.2020 Audited
Cash at bank	11 196	6 693
Other cash - deposits	5 422	-
Total	**16 618**	**6 693**
- with limited access	8 344	-

Restricted cash in the amount of PLN 8,344 thousand constitute funds of the Company in bank accounts:

- resulting from the collateral of the advance repayment guarantee in the amount of PLN 7,505 thousand;

- representing funds on the cession of loan accounts in the amount of PLN 839 thousand.

Cash on bank accounts – rating valuation of long-term deposits

	31.12.2021 Audited	31.12.2020 Audited
Bank rated AA-	-	2 280
Bank rated A-	1 580	-
Bank rated BBB+	-	32
Bank rated BBB	-	16
Bank rated BBB-	32	4 695
Bank rated BB	14 977	-
Bank unrated rating	19	-
Total	**16 608**	**7 023**
The bal ance of the Soci al Fund (Note 5.8)	10	(330)
Cash and cash equivalents as at end of period	**16 618**	**6 693**

The rating was based on reputable rating agencies (first based on Fitch Ratings and then, in the absence of Fitch Ratings, S&P ratings were used).

Currency structure of cash and cash equivalents

	31.12.2021 Audited	31.12.2020 Audited
In PLN	15 879	6 677
In foreign currencies - after conversion into PLN, including:	739	16
in EUR	739	-
in USD	-	1
in BGN	-	15
Total	**16 618**	**6 693**

3.11. Settlements under contracts with customers

Accounting principles

Settlements under contracts with customers

At the conclusion of the agreement, the Company makes assessment of goods and services resulting therefrom and identifies as a liability to render services any promise to transfer to a customer:

- any goods or services (or any bundle of goods or services) that are distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A series of distinct goods or services is transferred to the customer in the same pattern if both of the following criteria are met:

- each distinct good or service in the series that the Company promises to transfer consecutively to the customer meets the criteria specified in IFRS 15, consisting in such a good or service being regarded as a performance obligation that is satisfied over time; and
- in keeping with IFRS 15, a single method for measuring progress would be used to measure the Company's progress towards complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer.

A good or service is distinct if both of the following criteria are met:

- the customer can benefit from the good or service on its own or in conjunction with other readily available resources (i.e. the good or service can be distinct); and
- the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the agreement (i.e. the good or service are distinct within the same agreement).

Revenue is recognised as at the fulfilment (or during the fulfilment) of the obligation to complete satisfaction of the performance obligation to transfer the promised good or service (i.e. an item of assets) to the customer. The transfer of an item of assets is completed at the acquisition by the customer of control over it.

For each obligation to complete satisfaction identified pursuant to the aforementioned provisions, the Company shall determine at the conclusion of the agreement, whether the obligation concerned is to be completed over time or at a point in time. If the Company does not satisfy its performance obligation over time, it satisfies it at a point in time.

For each obligation to complete satisfaction of a performance obligation over time, the Company recognises revenues over time, measuring the degree of the total completion thereof. The purpose of such measurements is to determine the progress in the Company's performance of the obligation to transfer control over the goods or services promised to the customer (i.e. the degree of progress in the obligation to complete satisfaction).

The Company applies a single method for measuring progress to each obligation to complete satisfaction of a performance obligation over time and applies this method consistently in relation to similar obligations and in similar circumstances. At the end of each reporting period, the Company reassesses the degree of progress in the full completion of the obligation performed over time.

Contract assets

In the statement of financial position, the Company recognises a contract asset, i.e. the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time. This item of the statement of financial position includes, in particular, assets relating to completed and delivered works under long-term construction contracts that have not yet been invoiced and the recognition of revenue in connection with the transfer of control over products or goods that will be invoiced in the future.

Contract liabilities

In the statement of financial position, the Company recognises a contract liability, i.e. the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. The Company recognises a contract liability mainly in relation to contracts for which the payment is made in advance and in relation to the consideration for construction works received in advance for services not yet provided by the Company. Moreover, a contract liability arises in the case of completed transactions with customers entitled to discounts that will be settled jointly at the end of a specified period.

Professional judgment, estimates and assumptions

Valuation of longterm projects

The Company measures long-term construction contracts using the cost-based method, according to which it recognises revenue based on costs incurred in relation to the total expected expenditure necessary to meet the performance

obligation. The budgets of individual contracts are subject to a formal update process based on current information, but not more often than once a quarter. If the cost incurred is not proportionate to the degree of performance obligation to better reflect the degree of fulfillment of the obligation, the Company adjusts the outlay-based method to include only those revenues that correspond to the costs incurred. If the Company is unable to reasonably measure the performance of the performance obligation, then the revenues generated under that contract are recognised only up to the amount of the incurred costs that the Company expects to recover.

	31.12.2021 Audited	31.12.2020 Audited
Contracts with customers assets	**153 433**	**137 101**
Surpus of revenues resulting from degree of advancement over invoiced revenues	143 980	131 369
Advances paid towards contracts being performed	9 453	5 732
Liabilities from contracts with customers	**77 207**	**111 097**
Surpus of invoiced revenues over revenues resulting from degree of advancement	62 149	58 910
Advances received towards contracts being performed	15 058	52 187

Contracts with customers assets

	31.12.2021 Audited	31.12.2020 Audited
Opening balance	**137 101**	**175 245**
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	80 315	86 726
(-) Invoicing	(63 983)	(124 870)
Closing balance	**153 433**	**137 101**

Contracts with customers liabilities

	31.12.2021 Audited	31.12.2020 Audited
Opening balance	**111 097**	**126 455**
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	110 884	81 670
(-) Revenues recognized in the period included in balance of liabilities at the beginning of the period	(144 774)	(97 028)
Closing balance	**77 207**	**111 097**

Advances paid towards contracts being performed

	31.12.2021 Audited	31.12.2020 Audited
Opening balance	**5 732**	**5 865**
Increases: transfer of advances	27 977	4 385
Reductions: settlement of advances in the period	(24 256)	(4 518)
Closing balance	**9 453**	**5 732**

Advances received towards contracts being performed

	31.12.2021 Audited	31.12.2020 Audited
Opening balance	**52 187**	**99 123**
Increases (+): receipt of advances	76 618	22 759
Reductions (-): settlement of advances in the period	(113 747)	(69 695)
Closing balance	**15 058**	**52 187**

Transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period (excluding the portion of revenue attributable to consortium members):

31.12.2021	1 year	1-3 years	more than 3 years	Total
Trading price assigned to liabilities to discharge service met in:	920 811	563 976	-	**1 484 787**

31.12.2020	1 year	1-3 years	more than 3 years	Total
Trading price assigned to liabilities to discharge service met in:	1 217 557	541 474	-	**1 759 031**

Contract costs recognised as an asset

The items that meet the definition of contract costs recognised as an asset have not been identified, as follows – no specific disclosures are required.

3.12. Assets held for sale

Accounting principles

The Company classifies non-current assets as held for sale if their carrying amount is to be recovered through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets held for sale available for immediate sale in their present condition (subject to the conditions customarily applied to the sale of such assets), their sale is highly probable, and their buyer is actively searched for by the Company's management.
Assets held for sale are presented as a separate line item in the balance sheet.

On November 30, 2018, the Extraordinary General Meeting of Trakcja S.A. adopted a resolution to dispose of a real estate and perpetual usufruct of a real estate on Oliwska 11 Street in Warsaw for a net price not lower than PLN 14,000 thousand. Detailed information is provided in current report No 20/2018 and No 23/218. As at September 30, 2021, the aforementioned property in the amount of PLN 5,037 thousand was classified as assets held for sale.

On October 12, 2021, the contract of sale was signed by Trakcja, on the basis of which real property and perpetual usufruct on Oliwska 11 Street in Warsaw were sold to Dantex sp. z o.o. sp. k. for the price of PLN 25,000 thousand net. The profit from the above sale recognized in the profit and loss account amounted to PLN 24,181 thousand. Detailed information is provided in current report No 43/2021.

The table below presents changes during financial year

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
As at the beginning of the period	**5 037**	**5 037**
Sale of real estate at Oliwska 11 street in Warsaw	(5 037)	-
As at the end of the period	**-**	**5 037**

In connection with the agreement concluded on June 23, 2021 by Trakcja with KPMG Advisory spółka z ograniczoną odpowiedzialnością sp.k., for advice in the framework of the strategic option review process, the Management Board is in the process of analyzing the assets and activities of the Issuer held by the Company in view of the disinvestment possibilities concerning the potential sale of stocks or shares in subsidiaries. The Group does not at this stage include stocks or shares in subsidiaries to assets held for sale other than shares in Trakcja Ukraina sp. z o.o.

3.13. Equity

Accounting principles

Equity is recognised in the accounting records by type and according to the rules set forth in the provisions of law and the Company's Articles of Association.

Share capital

Share capital is recognised in its nominal value, as specified in the Company's Articles of Association and entered in the commercial register. Any declared, but unpaid, contributions to share capital are recognised in called-up share capital. Own shares and called-up share capital decrease the Company's equity.

Share premium account

Share premium account is the surplus of the issue price over the nominal value. Any costs of share issue at the establishment of a joint-stock company or at an increase in share capital decrease share premium account down to the surplus of the issue value over the nominal value of shares.

Revaluation reserve

The revaluation reserve mainly includes revaluation effects as a result of a change in the allocation of fixed assets.

Other capital reserves

Other capital reserve includes:

- actuarial gains (losses),
- equity component concerning bonds.

Retained earnings

Retained earnings include:

- the current financial resultof the Company for a given financial year;
- results from previous years - capital arose from profits generated in previous financial years. The company is obliged to create a reserve capital, which is funded by at least 8% of the profit for a given financial year, until this capital reaches at least one third of the share capital. The reserve capital thus created shall not be distributed.

Share capital

As at December 31, 2021, 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.

On October 27, 2021, in connection with receipt of requests from the Company's shareholders - ARP and COMSA submitted pursuant to Article 334(2) of the Code of Commercial Partnerships and Companies, the Management Board adopted a resolution to convert the part of the series C registered shares into bearer shares in the total number of 12,335,891, which consisted of 92 939 series C registered shares held by ARP and 12 242 952 series C registered shares held by COMSA. As at December 13, 2021 these shares were introduced to public trading on the main market by the Management Board of the Warsaw Stock Exchange S.A. by resolution No 1226/2021 of December 7, 2021.

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.

	31.12.2021 Audited	**31.12.2020 Audited**
	Par value 0.8 PLN	Par value 0.8 PLN
Series A ordinary shares	51 399 548	51 399 548
Series B ordinary shares	10 279 909	10 279 909
Series C ordinary shares	24 771 519	24 771 519
Total	**86 450 976**	**86 450 976**

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

Shareholders	**Number of shares**	**% in share capita**	**Number of votes**	**% in votes at GSM**
COMSA S.A.	28 399 145	32,85%	28 399 145	32,85%
Agencja Rozwoju Przemysłu	16 117 647	18,64%	16 117 647	18,64%
Other	33 601 490	38,87%	33 601 490	38,87%
Total	**86 450 976**	**100,00%**	**86 450 976**	**100,00%**

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

On 27 September 2021, the Company received a notification from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of the shareholder - Otwarty Fundusz Emerytalny PZU „Złota Jesień" ("OFE PZU") about the reduction of share by OFE PZU to less than 5% in the total number of votes at the General Meeting of Shareholders, i.e. from 8,332,694 shares giving 9,64% share in the Company's share capital to 4,234,764 shares, i.e. 4,90% share in the Company's share capital.

A preliminary share sale agreement and a conditional bond sale agreement concluded by ARP and COMSA

On November 19, 2021, the shareholders of the Company: ARP and COMSA concluded a preliminary share sale agreement and a conditional sale agreement for bonds issued by the Company. Under the agreement, ARP undertook to acquire all the shares held by COMSA in the share capital of the Company in a given moment as well as bonds issued by the Company; COMSA undertook to sell them under the terms specified in the agreement, while making the transaction subject to the fulfillment of a number of suspending conditions set in the agreement. The agreement was concluded on the assumption that shareholders of the Company will adopt a resolution on the increase in the share capital of the Company by issuing 250,000,000 of the E-series new ordinary shares worth PLN 0.80 each. Detailed information is provided in current report No 46/2021.

On December 30, 2021, and thereafter on February 1, 2022, the Company informed that ARP and COMSA pursuant to the concluded annexes had extended until January 31, 2022 and then until April 30, 2022, expiry date of the preliminary agreement for the sale of shares and the conditional agreement for the sale of bonds issued by the Company in the event that the General Meeting of the Company does not adopt a resolution concerning the increase in the share capital of the Company by issuing 250,000,000 new ordinary E-series shares with a value of PLN 0,80 each.

From the date of submitting the last interim report, i.e. from November 24, 2021, until the date of publication of these financial statements, the Company did not receive any notification under Article 69 of the Act on Public Offering.

Events leading to an increase in capital in the Company

In note 1.8, in points 1-17 concerning acquisition of capital financing were presented events leading to increase in capital in the Company. On April 8, 2022, the Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for May 6, 2022, in order to “take a resolution on the increase in share capital of the Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute.” Detailed information is provided in current report No 19/2022.

Bonds convertible to shares

On February 6, 2020, by the decision of the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, a conditional increase in the Company's share capital was entered into the commercial register. In connection with the foregoing, the Company’s share capital was conditionally increased from PLN 69,160,780.80 by an amount no higher than PLN 13,023,288 by way of issuing no more than 16,279 series D ordinary bearer shares with a nominal value of PLN 0.80 each. Series D shares may be subscribed by holders of convertible Series F and G bonds, which the Company issued on May 8, 2020. Detailed information has been provided in note 3.16 hereto.

Other capital reserves

Other capital reserves distinguish actuarial gains (losses).

Other comprehensive income by component of equity

Year ended 31.12.2021 Audited	Foreign exchange differences on translation of foreign operations	Total
Other comprehensive income that will be reclassified to profit or loss:	-	-
Foreign exchange differences on translation of foreign operations	-	-
Total other revenue	**-**	**-**

Year ended 31.12.2020 Audited	Foreign exchange differences on translation of foreign operations	Total
Other comprehensive income that will be reclassified to profit or loss:	**24**	**24**
Foreign exchange differences on translation of foreign operations	24	24
Total other revenue	**24**	**24**

Retained earnings

Retained earnings include the Group's current financial result for the financial year and the results from previous years. The dividend may be paid on the basis of the financial result determined in the Company's separate financial statements prepared for statutory purposes.

3.14. Dividends paid and declared

In 2021, a dividend was not paid by the Company.

On June 29, 2021, the Ordinary General Meeting of the Company adopted a resolution to cover the Company's loss for 2020 in the amount of PLN 70,481,175.84 from the Company's reserve capital, created from surpluses achieved by issuing shares above their nominal value.

3.15. Interest-bearing loans and borrowings

Accounting principles

All the loans, borrowings and debt securities are initially recognised at cost corresponding to fair value of received cash less any costs associated with the obtaining of a loan or borrowing.After the initial recognition, interest-bearing loans, borrowings and debt securities are subsequently measured at amortised cost using the effective interest rate method.Amortised cost includes any costs associated with the obtaining of a loan or borrowing, as well as any costs of discounts or bonuses obtained at the settlement of the liability.Any gain or loss is recognised in the balance sheet as at the derecognition of the liability from the balance sheet and as a result of write-down calculation.

Long-term interest-bearing loans and borrowings

	31.12.2021 Audited	31.12.2020 Audited
Bank loans	147 996	171 527
- overdraft facility	15 411	17 863
- working capital credit	132 585	153 664
Loans from related entities	117 263	45 056
Financial lease liabilities	38 616	47 298
Total	**303 875**	**263 881**

Short-term interest-bearing loans and borrowings

	31.12.2021 Audited	31.12.2020 Audited
Bank loans	44 939	39 686
- working loans	-	3 793
- overdraft facility	3 011	4 519
- working capital credit	41 928	31 374
Loans from related entities	11 425	29 390
Financial lease liabilities	21 492	25 534
Total	**77 856**	**94 610**
Total short and long term loan and credits	**381 731**	**358 491**

Change in interest-bearing loans and borrowings in 2021

As at 01.01.2021	**285 659**
Audited	
Receipt of credits and loans	124 803
Repayment of credits and loans	(86 721)
Accrued interest	11 468
Interest paid	(11 134)
Foreign exchanges	(56)
Loan set-off against dividend receivable	(2 396)
As at 31.12.2021	**321 623**
Audited	
including	
- long-term	265 259
- short-term	56 364

Company's loans and borrowings currency structure

	31.12.2021 Audited	31.12.2020 Audited
In PLN	364 446	341 664
In foreign currencies - after conversion into PLN, including:	17 285	16 827
in EUR	17 285	16 827
Total	**381 731**	**358 491**

Detailed interest-bearing loans and borrowings as at December 31, 2021

Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
COMSA S.A.U.	loan from related undertaking	2 674	EUR	01.02.2024	WIBOR 1M + margin	82
COMSA S.A.U.	loan from related undertaking	5 000	EUR	01.02.2024	WIBOR 1M + margin	159
Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	27 600	PLN	31.12.2023	WIBOR 1M + margin	25 518
Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	52 746	PLN	31.12.2023	WIBOR 1M + margin	52 883
Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	9 091	PLN	31.12.2023	WIBOR 1M + margin	8 405
mBank S.A., Bank Gospodarstwa Krajowego	working capital credit	43 892	PLN	31.12.2023	WIBOR 1M + margin	40 580
mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	92 600	PLN	31.12.2023	WIBOR 1M + margin	85 612
mBank S.A.	working capital credit	15 000	PLN	31.12.2023	WIBOR 1M + margin	14 222
mBank S.A.	working capital credit	15 000	PLN	31.12.2023	WIBOR 1M + margin	14 222
mBank S.A.	overdraft facility	20 000	PLN	31.12.2023	WIBOR 1M + margin	-
Pekao S.A.	overdraft facility	20 000	PLN	31.12.2023	WIBOR 1M + margin	18 423
mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	21 500	PLN	31.12.2023	WIBOR 1M + margin	19 878
AB Kauno Tiltai	loan from related undertaking	3 500	EUR	28.02.2024	fixed interest rate	17 044
Dalba sp. z o.o.	loan from related undertaking	1 000	PLN	28.02.2024	WIBOR 3M + margin	932
BTW sp. z o.o.	loan from related undertaking	2 000	PLN	28.02.2024	WIBOR 3M + margin	1 848
BTW sp. z o.o.	loan from related undertaking	3 000	PLN	15.02.2025	WIBOR 1M + margin	1 999
BTW sp. z o.o.	loan from related undertaking	8 000	PLN	15.03.2025	WIBOR 1M + margin	5 484
PDM S.A.	loan from related undertaking	2 500	PLN	28.02.2024	WIBOR 1M + margin	720
PRK 7 Nieruchomości sp. z o.o.	loan from related undertaking	3 000	PLN	28.02.2024	WIBOR 1M + margin	2 689
PRK 7 Nieruchomości sp. z o.o.	loan from related undertaking	3 500	PLN	24.02.2024	WIBOR 1M + margin	3 216
PEUiM sp. z o.o.	loan from related undertaking	2 500	PLN	28.02.2024	WIBOR 1M + margin	226
PEUiM sp. z o.o.	loan from related undertaking	6 000	PLN	28.02.2024	WIBOR 1M + margin	44
PEUiM sp. z o.o.	loan from related undertaking	3 000	PLN	28.02.2024	WIBOR 1M + margin	3 156
PEUiM sp. z o.o.	loan from related undertaking	2 000	PLN	28.02.2024	WIBOR 1M + margin	2 136
PEUiM sp. z o.o.	loan from related undertaking	2 000	PLN	28.02.2024	WIBOR 1M + margin	2 146
					TOTAL	**321 623**

As at the balance sheet date, the Group had unused credit lines (overdrafts and trading credits) amounting to PLN 77,0 million (31.12.2020: PLN 84,7 million), which guarantees the Trakcja Group companies continuity of financing of current activities.

Non-payment of a loan or breach of a loan agreement for which no remedial action has been taken

As at December 31, 2021, the Group had no outstanding credits or loans. Also, the Group was not in breach of any material provisions of credit or loan agreement for which no remedial action has been taken by the end of the reporting period.

In connection with the signing on June 17, 2021 of a number of annexes to the agreements referred to in the current report No 20/2021 Trakcja is obliged to observe the financial indicators (hereinafter referred to as "Covenants") related to the current financial situation of the Company and the Group. The agreement specified that the first verification of whether the Company and the Group fulfilled the Covenants would take place on December 31, 2021, further verifications to occur on a quarterly basis (the Company) and on yearly basis (the Group) until September 30, 2023. On the basis of the annexes to the above mentioned agreements concluded on December 20, 2021, about which the Company informed in the current report No 53/2021, the date of the first verification of the fulfillment of the Covenants was postponed until June 30, 2022.

Credit agreements entered into

1. on June 17, 2021, the Company signed long-term financing documents included in the following annexes:
    a. annex introducing a revised and consolidated credit agreement (concluded between the Company and BTW sp. z o.o., PRK 7 Nieruchomości sp. z o.o., PDM S.A., DALBA sp. z o.o., as borrowers and guarantors, and Torproject sp. z o.o., PEUIM sp. z o.o., Trakcja Ukraina sp. z o.o., as guarantors (altogether "Related Entities") and mBank S.A., Credit Agricole Bank Polska S.A. and BGK, as creditors and ARP as lender, on the basis of which new credit, new loan and new amended guarantee line were granted to the Company (the "Consolidated Credit Agreement");
    b. annex introducing amendments to the agreement between creditors of June 13, 2019 (concluded between the Company, the Related Entities, COMSA and its creditors, i.e.: BGK, ARP, mBank S.A., Credit Agricole Bank Polska S.A., Bank PKO S.A., AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A. (now UNIQA Towarzystwo Ubezpieczeń S.A.), Credendo — Exccess & Surety Society Anonyme, Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Generali Towarzystwo Ubezpieczeń S.A. oraz COMSA, PZU S.A., UNIQA Towarzystwo Ubezpieczeń S.A. (altogether "Creditors")), on the basis of which the conditions for cooperation between Creditors have been harmonized, moreover a hierarchy of receivables due from the Company and Related Entities to Creditors and the safeguards established for Creditors by the Company and its Related Entities (the "Intercreditor Agreement") has been established;
    c. an annex amending the agreement on common terms and conditions (concluded between the Company, the Related Entities, mBank S.A., Credit Agricole Bank Polska S.A., Bank PKO S.A., BGK and ARP) under which the conditions for granting financing to the Company and to its Related Entities by the bank creditors and ARP (the "Common Conditions Agreement") have been harmonized;
    d. an annex introducing amendments to the agreement on the harmonization of selected terms of guarantee agreements and surety agreement of June 13, 2019 (concluded between the Company, the Related Entities and AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A.) (now UNIQA Towarzystwo Ubezpieczeń Społecznych S.A.), Credendo – Excess & Surety Societe Anonyme, acting in Poland via Credendo – Excess & Surety Spółka Akcyjna Oddział w Polsce, Generali Towarzystwo Ubezpieczeń S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Sopockim Towarzystwem Ubezpieczeń Ergo Hestia S.A., PZU S.A. and UNIQA Towarzystwo Ubezpieczeń S.A.), on the basis of which the conditions for granting financing to the Company and its Related Entities have been harmonized by the insurance creditors (the "Common Terms Insurance Agreement")
    (documents referred to in points a to d above are together entitled as '"Financing Documents").

Under the Harmonized Credit Agreement and under the conditions indicated therein, to the Company being the borrower:

d. a new open-end credit of a total amount of PLN 52,983 thousand has been granted;

e. a new open-end loan of a total amount of PLN 52,746 thousand has been granted;

f. change in bank guarantee lines has been granted, among others by increasing their availability periods.

In particular, two new guarantees were issued for repayment of the advance in the amounts respectively: PLN 30,067 thousand and PLN 30,868 thousand.

In addition, in connection with the revised Common Terms Insurance Agreement a new performance guarantee of PLN 30,067 thousand was issued by insurance companies.

Furthermore, the Harmonized Credit Agreement also provides for the recapitalization of the Company by PKP PLK in an amount of not less than PLN 200,000 thousand by January 31, 2022. In the event the recapitalization is cancelled, the Company undertook to conduct the sale process of AB Kauno Tiltai subsidiary. In the event the recapitalization is cancelled, the Company undertook to conduct the sale process of AB Kauno Tiltai subsidiary.

Detailed information is provided in current report No 20/2021.

In note 1.8, of these financial statements in points 1-17 concerning acquisition of capital financing were presented events leading to increase in capital in the Company. On April 8, 2022, the Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for May 6, 2022, in order to "adopt a resolution on the increase in share capital of the Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute." Detailed information is provided in current report No 19/2022.

Detailed information is provided in current report No 20/2021;

2. On June 24, 2021, the Company received a notification from mBank, acting as facility agent, that the conditions precedent set out in the annex of June 17, 2021 to the Harmonized Credit Agreement were met on June 24, 2021, the conclusion of which the Company has communicated in the current report No 22/2021;

3. As a result of the launch of long-term financing documentation, the Company received the following cash inflows in 2021:

   a. **PLN 52.746 thousand** due to loan from ARP (on June 28, 2021);

   b. **PLN 52,983 thousand** due to open-end credit, including: PLN 43,892 thousand from mBank and BGK, and PLN 9,091 thousand from ARP (on June 28, 2021);

   c. **PLN 30,067 thousand** due to proper performance of contract (refund of withheld amount of 7%) on the "Wisła" contract (on July 13, 2021);

   d. **PLN 30,067 thousand** due to advance payment of "Wisła" contract " (on July 14, 2021);

   e. **PLN 30,868 thousand** due to advance payment on "Ełk" contract (on August 3, 2021);

   The total amount of the above revenues amounted **to PLN 196,731 thousand**.

   These proceeds enabled the Company to unlock the possibility of contract execution through payments to subcontractors and suppliers of materials and to launch invoicing connected to the provision of lack of arrears in payments declarations by subcontractors. In addition, in 2021, the Company managed to limit trade liabilities outstanding over 60 days. There has been a significant improvement in the flow of trade receivables, which was linked to the start of payments blocked by subcontractors.

4. Between June 18, 2021 and November 26, 2021, the Company signed the following annexes corresponding to Financing Documents:

    a. an annex to the Harmonized Credit Agreement concluded on July 29, 2021;
    b. an annex to the Harmonized Credit Agreement concluded on August 27, 2021;
    c. an annex to the Harmonized Credit Agreement concluded on October 01, 2021;
    d. an annex to the Harmonized Credit Agreement concluded on November 26, 2021;

    Based on the above annexes, the parties have made changes to extend the validity of some of the guarantee lines.

5. On December 20, 2021, the Company signed the annexes corresponding to the Financing Documents on the basis of which the parties decided that certain provisions of the Financing Documents were amended from the date of their signature, including the modification of certain conditions for the guarantees issued under the guarantee line, the date of the financial indicators' examination was postponed, the dates and amounts of past due commitments have been updated and terms for the establishment of some collaterals has been postponed.

    In addition, the parties decided that additional amendments to the Financing Documents would enter into force, in particular: extension of the deadline for the realization of the investment (understood as the submission of an application for registration of the increase in the share capital of the Company to the National Court Register, acquisition of shares in increased share capital in cash and the unconditional provision of funds from this recapitalization in the amount not less than PLN 200,000 thousand) by March 31, 2022, or, in the absence of performance of investment, extension of the date of disposal of all the shares held by the Company in AB Kauno Tiltai until May 31, 2022, if the following conditions are met:

    - the adoption by the general meeting of the Company by December 21, 2021 of a resolution on the recapitalization of the Company by the acquisition by PKP PLK for cash, in an amount of not less than PLN 200,000 thousand shares in the Company's increased share capital; and

    - conclusion by the Company and mBank S.A. and KPMG Advisory sp. z o.o. sp.k. by December 20, 2021 of the agreement on the analysis of strategic options for the Trakcja Group relating to the sale by the Company of shares in the share capital of AB Kauno Tiltai; and

    - the submission by the Company and its Related Entities, no later than to December 15, 2021, of applications for disclosure in the register of pledges of all changes made to the collateral documents relating to funding granted to the Company.

    Detailed information is provided in current report No 53/2021.

    On January 28, 2022 the Company submitted an application to the financing entities for an extension of the time-limits for the realization of the investment and, in the absence of such realization, for the disposal of all the shares held by the Company in AB Kauno Tilltai. Discussions with financing entities are currently under way.

6. After December 20, 2021, the Company signed the following annexes corresponding to the Financing Documents:

    a. an annex to the Harmonized Credit Agreement concluded on February 15, 2022;
    b. an annex to the Harmonized Credit Agreement concluded on March 14, 2022;
    c. an annex to the Common Conditions Agreement concluded on March 15, 2022;
    d. an annex to the Common Conditions Agreement concluded on April 13, 2022.

On the basis of the above annexes, the parties decided among others, to postpone the payment of the installments and on the term of reduction of the exposure; as well as amendments were introduced to extend the validity of some of the guarantees within the guarantee line.

3.16. 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

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

a) changing the redemption date of the Series F Bonds from December 30, 2022 to December 31, 2023;

b) changing the redemption date of the Series G Bonds from December 30, 2022 to February 1, 2024;

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

Bonds structure

	31.12.2021 Audited	31.12.2020 Audited
Long-term	28 451	27 832
Short-term	196	194
Total	**28 647**	**28 026**

As of the balance-sheet date of December 31, 2021, the bonds were recognized at amortized cost.

3.17. Provisions

Accounting principles

Provisions are recognised, if the Company has an obligation (legal or customarily expected) resulting from past events, and if it is likely that meeting such an obligation shall result in the outflow of economic benefits being necessary, and if the amount of such an obligation can be reliably estimated. If the Company expects that the costs covered by a provision will be reimbursed, for example, under an insurance contract, such a reimbursement is recognised as a separate asset, but only when it is certain that it will be made. Any costs related to a given provision are recognised in loss or profit less any certain reimbursements.

A given provision may only be used for expenditures for which it was originally recognised. The provision is used without the effect on profit or loss by allocating its estimated amount to the liabilities or by decreasing its value in relation to the payment made.

Provisions are recognised respectively as operating expenses of core business activities, other operating expenses or financial expenses, depending on the circumstances, to which potential liabilities relate.

Any unused provisions, whose further maintenance is not reasonable, shall increase as at the day, in which they become obsolete, respectively, revenues from the core operating activities, other operating revenues or financial revenues, depending in which category they were recognised at the time of their creation.

Professional judgment, estimates and assumptions

Provision on losses on projects

In terms of provisions for losses on contracts, they are created in situations where the unavoidable costs of fulfilling obligations to the client exceed the expected revenues according to estimates of the obtainable transaction price. In particular, these provisions are also established as a result of a quarterly analysis of budgets and the degree of progress of work. In situations where future budgeted costs exceed the outstanding revenue from the transaction price – the difference (expected loss on the contract) is recognised in the balance sheet as a provision. In subsequent periods, it is resolved as the actual loss is incurred or increased in situations where subsequent verifications lead to the expectation of a larger loss.

Provisions for correction works

Provisions for correction 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 Company operates and is based on the Company's historical data. This value is assessed on an individual basis and may be increased or decreased as appropriate. Any changes in these assumptions will affect the amount of the provisions.

Provisions for contractual penalties

The 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.

	Provisions for correction works	Provisions for bonuses	Provisions for balance sheet audit	Provision for expected losses on contracts	Other provisions	Total
As at 1.01.2021 Audited	**6 201**	**113**	**140**	**36 742**	**1 226**	**44 422**
Recognised in profit and loss account:						
- provision creation	1 765	1 356	200	18 101	563	**21 985**
- release of unused provisions	(1 984)	-	(90)	(2 734)	(562)	**(5 370)**
- use of provisions	(1 511)	-	(90)	(32 522)	(129)	**(34 252)**
Total	**(1 730)**	**1 356**	**20**	**(17 155)**	**(128)**	**(17 637)**
As at 31.12.2021 Audited	**4 471**	**1 469**	**160**	**19 587**	**1 098**	**26 785**
As at 1.01.2020 Audited	**6 148**	**3 903**	**146**	**78 619**	**727**	**89 543**
Recognised in profit and loss account:						
- provision creation	1 140	-	210	22 220	1 138	**24 708**
- release of unused provisions	-	-	-	-	(637)	**(637)**
- use of provisions	(1 087)	(3 790)	(216)	(64 697)	(2)	**(69 162)**
Total	**53**	**(3 790)**	**(6)**	**(41 877)**	**499**	**(45 121)**
As at 31.12.2020 Audited	**6 201**	**113**	**140**	**36 742**	**1 226**	**44 422**

Provisions structure

	31.12.2021 Audited	31.12.2020 Audited
Long-term	2 485	2 289
Short-term	24 300	42 133
Total	**26 785**	**44 422**

The provisions for bonuses are mainly comprises of provisions for bonuses paid to blue-collar and white-collar workers.

The provisions for improvement works have been estimated based on the knowledge of individual contract directors related to necessity or possibility of performing additional works for the benefit of the Principal, aimed at satisfying the terms and conditions of guarantee.

3.18. Employee benefit liabilities

Accounting principles

In accordance with the corporate remuneration systems, employees of the Company are entitled to jubilee bonuses and retirement and pension benefits. The company creates a provision for future liabilities due to retirement and disability benefits and jubilee awards in order to assign costs to the periods they relate to. Pursuant to IAS 19, jubilee bonuses are other long-term employee benefits, and retirement benefits are programmes for certain benefits upon the termination of the employment period. Present value of these liabilities as at the balance sheet date is determined in accordance with the generally applicable actuarial methods. Accrued liabilities are equal to the discounted payments to be made in the future, taking into account the turnover of employment, and relate to the period up to the balance sheet date. Demographic data and information about the turnover of employment are based on historical data. Any actuarial gains or losses on the measurement of the retirement and disability pension benefit programmes are recognised in other comprehensive income, whereas any actuarial gains (losses) on the measurement of jubilee bonuses are recognised in profit or loss. Any other costs related to the programmes for specific benefits are recognised in a full amount in profit or loss for the period in which they are incurred.

Professional judgment, estimates and assumptions

Measurement of employee benefit liabilities

Employee benefit liabilities related to retirement severance pay and jubilee awards in the current period have been estimated on the basis of actuarial methods. The amount of the liability depends on many factors that are used as assumptions in the actuarial method. One of the basic assumptions for determining the amount of the liability is the discount rate and the average expected increase in remuneration.

On September 21, 2020 the Management Board of the Company, along with trade union organizations operating in the Company, adopted new Regulations for Remuneration of Trakcja S.A. In the new Renumeration Regulations, the system of payment of jubilee awards and retirement severance payment has changed, inter alia, changes in the regulations resulted in the introduction of changes in the valuation of employee benefits liabilities as at September 30, 2020.

Liabilities on account of provisions for unused leaves

Provision for unused leaves	31.12.2021 Audited	31.12.2020 Audited
Balance at the beginning of the period	**7 811**	**6 399**
Recognised in income statement:	**1 140**	**1 412**
- provision creation	5 870	4 851
- release of unused provision	(3 497)	(2 430)
- use of provision	(1 233)	(1 009)
Balance at the end of the period	**8 951**	**7 811**

Liabilities on account of provisions for retirement and disability severance payments and jubilee awards

	Provision for pension benefits	Provision for jubilee awards
As at 01.01.2021 Audited	**1 138**	**1 189**
Total costs recognised in profit and loss account:		
- Interest costs	23	18
- Current service costs	444	279
- Past service costs	(33)	(291)
Benefits paid	(882)	(1 171)
Total	**(448)**	**(1 165)**
As at 31.12.2021 Audited	**690**	**24**

	Provision for pension benefits	Provision for jubilee awards
As at 01.01.2020 Audited	**1 548**	**1 151**
Total costs recognised in profit and loss account:		
- Interest costs	36	27
- Current service costs	173	482
- Past service costs	(271)	(365)
Benefits paid	(348)	(106)
Total	**(410)**	**38**
As at 31.12.2020 Audited	**1 138**	**1 189**

Employee benefit liabilities by maturity

	Provision for pension benefits	Provision for jubilee awards
During 1 year	273	24
From 1 to 4 years	218	-
Over 4 years	199	-
Total	**690**	**24**

The weighted average term of post-employment benefit liabilities is 2.7 years.

Sensitivity analysis of employee benefit liabilities

To estimate the amount of provisions for employee benefits at the end of 2021, the Company applied a discount rate amounted to 3.7% (31 December 2020: 2.25%). The average expected salary growth in the Company was adopted at 1.8% (31 December 2020: 1.8%).

The table below presents the sensitivity analysis of employee benefit liabilities:

Factor applied	Reasonably possible change of the factor	Liabilities due to employee benefits	
		increase	decrease
Discount rate	+/- 1 p. p.	(21)	24
Salary growth	+/- 1 p. p.	25	(22)

3.19. Capital risk management

Accounting principles

The goal of the Company in managing the capital risk is maintaining the Company's ability to continue the business and maintain optimum capital structure to provide return on investment to the shareholders. To maintain or adjust its capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders, increase debt, or sell assets to reduce debt. The Company monitors its capital structure using the financing structure ratios. The ratios analysed by the Company, presented in the below table, allow for the good credit rating to be maintained and confirm that the Company's capital structure supports its operating activities.

Financing structure ratios	31.12.2021 Audited	31.12.2020 Audited	Change
Equity to assets ratio	0,27	0,25	0,02
Equity to non-current assets ratio	0,48	0,46	0,02
Debt ratio	0,73	0,75	-0,02
Debt to equity ratio	2,71	3,06	-0,35

The above ratios have been calculated in accordance with the following formulas:
Equity to assets ratio = Equity attributable to shareholders of parent entity / total assets
Equity to non-current assets ratio = Equity attributable to shareholders of parent entity / noc-curre
Debt ratio = (Total assets - Equity attributable to shareholders of parent entity) / Total assets
Debt to equity ratio = (Total assets - Equity attributable to shareholders of parent entity) / Equity

3.20. Trade and other liabilities

Accounting principles

After initial recognition, the Company measures financial liabilities:
• at amortised cost,
• at fair value through profit or loss.
Short-term trade liabilities are reported at amounts payable. Financial liabilities other than financial instruments measured at fair value through profit or loss are measured at amortised cost using the effective interest rate method.
Financial liabilities other than financial liabilities measured at fair value through profit or loss are measured as at the balance sheet date at amortised cost (i.e. they are discounted using the effective interest rate). Short-term liabilities, with maturities of up to 365 days, are measured at amounts due.
A financial liability (or a part of a financial liability) is derecognised from the balance sheet when it is extinguished, i.e., when the obligations specified in the contract are discharged, cancelled or expired.
A financial liability (or part of it) is extinguished when the debtor either:
• discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or
• is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor. (If the debtor has given a guarantee this condition may still be met.)
The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of

the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.
Liabilities due for more than 12 months shall be retained amounts. In 2021 and 2020, the Company resigned from presenting a discount on liabilities due over 12 months due to low materiality.

Terms and conditions of payment of liabilities

Trade liabilities do not bear interest and are, as a rule, paid in 30-60 days. Liabilities maturing in more than 12 months comprise mainly retentions related to the performance of construction and assembly contracts in order to ensure proper and timely performance of the contract. Other liabilities do not bear interest, and their average payment period is one month. The amount resulting from the difference between VAT payable and VAT receivable is paid to the relevant tax authorities within deadlines set out in tax regulations. Interest payable is usually settled based on accepted interest notes.

	31.12.2021 Audited	31.12.2020 Audited
Trade liabilities, before discounting	152 491	220 948
Total, net trade liabilities after discounting	**152 491**	**220 948**
including:		
- liabilities from related entities	6 709	4 331
Amounts held	34 770	31 974
Budgetary liabilities	46 102	39 452
Payroll liabilities	7 803	7 563
Other liabilities towards third parties	3 829	2 115
Total trade and other liabilities	**244 995**	**302 052**

Liabilities to related parties are disclosed in Note 5.4.

Trade and other liabilities and retentions by maturity

	31.12.2021 Audited	31.12.2020 Audited
Trade liabilities before discounting	187 261	252 922
With maturity within 12 months	172 762	238 826
With maturity over 12 months	14 499	14 096
Total, Trade liabilities after discounting	**187 261**	**252 922**

Trade and other liabilities currency structure

	31.12.2021 Audited	31.12.2020 Audited
In PLN	244 470	300 776
In foreign currencies - after conversion into PLN, including:	525	1 276
in EUR	525	1 261
in BGN	-	15
Total	**244 995**	**302 052**

3.21. Lease liabilities – Company as a lessee

Accounting principles

According to IFRS 16, an agreement constitutes or contains a lease if it transfers the right to control the use of an identified asset for a given period in exchange for remuneration. In order to evaluate whether an agreement conveys the right to control the use of an identified asset for a given period, the Company assesses whether the customer enjoys the following rights jointly throughout the period of use:

a) the right to reap substantially all the economic benefits from the use of the identified asset; and

b) the right to direct the use of the identified asset.

The Company recognizes in the balance-sheet a right-of-use asset and lease liabilities for all leases, with the exception of cases where IFRS 16 provides for non-recognition. After the initial recognition, the Company recognizes depreciation of a right-of-use asset and lease liability interest.

Lease payments are allocated between finance costs and reduction of the outstanding lease liability balance in such a manner as to allow to obtain a fixed rate of interest on the outstanding liability. Finance costs are charged directly to the profit and loss account.

Non-current assets held under finance leases are depreciated according to the method determined by the Company for its own non-current assets. However, if the transfer of the ownership title is not certain, non-current assets held under finance leases are depreciated during their expected useful life or their lease term, whichever is shorter.

The right of perpetual usufruct of land

The Company holds the right of perpetual usufruct of land. In keeping with IFRS 16 Lease, the right of perpetual usufruct of land is also classified as a finance lease.

The right of perpetual usufruct of land is recognised as a liability measured using the perpetuity method, including any lease payments made at the commencement date or before that date (also any payment for the acquisition of the right concerned on the market). After the initial recognition, the right of perpetual usufruct of land, excluding any right of perpetual usufruct of land measured using the perpetuity method, shall be measured at cost, less any accumulated amortisation and accumulated impairment losses, adjusted by any remeasurement of the lease liability.

The right of perpetual usufruct of land is depreciated over the period for which it has been granted. This period is 99 years.

Professional judgment, estimates and assumptions

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.

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.

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

	31.12.2021 Audited	31.12.2020 Audited
Nominal value of minimum leasing fees		
Within 0 to 90 days	4 555	4 900
Within 90 to 360 days	19 382	23 201
Within 1 to 5 years	31 213	37 164
Over 5 years	31 462	34 719
Total financial lease liabilities - total minimum leasing fees	**86 612**	**99 984**
Financial costs on account of financial lease	**(26 504)**	**(27 152)**
Present value of minimum leasing fees		
Within 0 to 90 days	3 817	4 129
Within 90 to 360 days	17 675	21 405
Within 1 to 5 years	26 744	32 426
Over 5 years	11 872	14 872
Total present value of minimum leasing fees	**60 108**	**72 832**

3.22. Information on financial instruments

Accounting principles

Financial instruments

In accordance with IFRS 9 Financial Instruments, the Company recognises a financial asset or a financial liability in its balance sheet when, and only when, the Company becomes party to the contractual provisions of the instrument.

The Company classifies financial assets into relevant category depending on the business model for financial assets management and on the characteristics of the contractual cash flows (SPPI test) for a given financial asset. The analysis of the intra-group agreements and the terms of the other financial instruments did not identify the conditions leading to the failure of the SPPI test. With respect to the business model, all debt financial assets held by the Company are held to collect contractual cash flows.

After initial recognition, the Company measures each financial asset:

- at amortised cost;
- at fair value through other comprehensive income,
- at fair value through profit or loss.

Financial assets measured at amortised cost

The Company measures a financial asset at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company classifies trade and other receivables, deposits under bank guarantees, loans granted, financial assets under a concession agreement as well as cash and cash equivalents as assets measured at amortised cost.

Following the initial recognition, trade and other receivables are measured at amortised cost using the effective interest rate method, taking into account the expected credit loss, whereby trade and other receivables maturing within less than 12 months from the recognition date (i.e. without a financing component) are not discounted and are measured at their nominal value, less the expected credit loss.

The Company uses simplified methods of measurement of financial assets and liabilities measured at amortized cost if it does not distort information included in the balance sheet, in particular when the period until the repayment of the amount receivable or settlement of the liability does not exceed 90 days.

Financial assets accounted at amortized cost, where the Company applies simplifications, are measured at initial recognition at the amount due, and subsequently, including at the end of the reporting period, at the amount of the payment due less the expected credit loss.

Financial assets measured at fair value through profit or loss

The Company does not hold any equity instruments. The Company recognises derivative instruments not designated for hedge accounting purposes as assets measured at fair value through profit or loss.

As at 31.12.2021 Audited	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost
Disclosed in balance sheet, indicating balance sheet item		
recognised as non-current assets		
Other financial assets	17 041	-
Total	**17 041**	**-**
recognised as current assets		
Trade and other receivables (excluding budgetary)	228 439	-
Other financial assets	3 333	-
Cash and cash equivalents	16 618	-
Total	**248 390**	**-**
recognised as long-term liabilities		
Interest-bearing loans and borrowings	-	303 875
Other financial liabilities	-	-
Total	**-**	**303 875**
recognised as short-term liabilities		
Interest-bearing loans and borrowings	-	77 856
Trade and other liabilities without budgetary liabilities	-	198 893
Other financial liabilities	-	-
Total	**-**	**276 749**
Total	**265 431**	**580 624**

As at 31.12.2020 Audited	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost
Disclosed in balance sheet, indicating balance sheet item		
recognised as non-current assets		
Other financial assets	6 241	-
Total	**6 241**	**-**
recognised as long-term liabilities		
Trade and other receivables (excluding budgetary)	307 853	-
Other financial assets	8 481	-
Cash and cash equivalents	6 693	-
Total	**323 027**	**-**
recognised as long-term liabilities		
Interest-bearing loans and borrowings	-	263 881
Bonds	-	27 832
Total	**-**	**291 713**
recognised as short-term liabilities		
Interest-bearing loans and borrowings	-	94 610
Trade and other liabilities without budgetary liabilities	-	262 600
Bonds	-	194
Total	**-**	**357 404**
Total	**329 268**	**649 117**

Fair value of financial instruments

Professional judgment, estimates and assumptions

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. In 2021, 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, on the basis of the market data observable.

Methods and, when a valuation technique is used, assumptions adopted to determine fair values of individual categories of financial instruments

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.

The Company applies the following hierarchy when determining and disclosing fair value of the financial instruments measured at fair value, depending on the measurement method adopted:

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.

Comparison of fair value and carrying amount

	As at 31.12.2021		As at 31.12.2020	
Classes of financial instruments	Book value	Fair value	Book value	Fair value
Loans granted	8 792	8 792	6 360	6 360
Guarantee deposits	11 582	11 582	8 362	8 362
Trade and other receivables (excluding budgetary receivables)	228 439	228 439	307 853	307 853
Cash and cash equivalents	16 618	16 618	6 693	6 693
financial lease liabilities	381 731	381 731	358 491	358 491
Trade and other liabilities (excluding budgetary liabilities)	198 893	198 893	262 600	262 600

Both in the reporting period and in the comparable period, there were no transfers between level 1 and level 2 of the fair value hierarchy, and neither of the instruments was moved from level 2 to level 3 of the fair value hierarchy.

Purposes and principles of risk management

Risk management is mainly focused on the unpredictability of markets and aims to reduce the impact of volatility on the Company's financial results.

Risk type	Exposure	Risk measurement	Management/Collateral
Market-related, concerning exchange rate fluctuations	a) economic FX exposure resulting from receipts less expenses indexed to or denominated in a currency other than the functional currency, b) FX exposure resulting from investments or firm liabilities and receivables in foreign currencies,	a) and b) based on planned cash flows.	Market risk management policy and hedging strategies, which specify the principles for measuring particular exposures, the parameters and time horizon for hedging a given risk and the

	c) balance-sheet FX exposure resulting from assets and liabilities denominated in foreign currencies	c) based on analyses of balance-sheet items.	hedging instruments used.
Market-related, concerning interest rate changes	Exposure resulting from held assets and liabilities for which interest income and costs depend on variable interest rates.	Based on the share in the total gross debt for items for which interest costs depend on variable interest rates .	Market risk management policy and hedging strategies, which specify the principles for measuring particular exposures, the parameters and time horizon for hedging a given risk and the hedging instruments used.
Liquidity	The risk of an unforeseen shortage of funds or unavailability of sources of financing, both in the short- and long-term, leading to a temporary or permanent loss of the capacity to pay financial liabilities or the need to acquire financing on less favorable terms.	Based on planned cash flows in the short- and long-term	Liquidity management policy, which specifies the principles of reporting and liquidity consolidation. The Group maintains a policy of diversifying the sources of financing and makes use of various tools for effective liquidity management.
Loss of funds and deposits	Risk of bankruptcy of domestic or foreign banks on whose accounts funds are held or deposited.	Regular review of banks' creditworthiness and determination of funds concentration limits. Management based on surplus funds management principles which specify the option to grant limits to particular banks, as determined based on, inter alia, ratings and reporting data. Cooperation mainly with crediting banks.	Regular review of banks' creditworthiness and determination of funds concentration limits. Management based on surplus funds management principles which specify the option to grant limits to particular banks, as determined based on, inter alia, ratings and reporting data. Cooperation mainly with crediting banks.
Credit	The risk that business partners fail to pay for receivables for delivered products and services is related to creditworthiness of customers with whom business transactions are concluded.	Analysis of reliability and solvency of business partners.	Management based on adopted procedures and policies concerning trade credit and collection management, including the determination of limits and establishment of collateral.

Currency risk

The Company's activities are not significantly exposed to the fluctuations in foreign exchange rates. As at December 31, 2021 the Company had:

- cash in EUR in the amount of PLN 739 thousand (31.12.2020: in BGN in the amount of PLN 15 thousand and in USD in the amount of PLN 1 thousand),
- trade and other receivables in EUR in the amount of PLN 17.010 thousand (31.12.2020: in EUR in the amount of PLN 988 thousand, in BGN in the amount of PLN 813 thousand and other in the amount of PLN 3 thousand), and
- liabilities in EUR in the amount of PLN 525 thousand (31.12.2020: in EUR in the amount of PLN 1.261 thousand and in BGN in the amount of PLN 15 thousand).

Risk related to the rise of the overdue receivables

As at the day of preparation of the financial statements, the Company is controlling the level of overdue receivables. Although the situation in which the future contractors would not stay within the deadline of their liabilities cannot be excluded since it could have negative impact on financial situation of the Company.

Liquidity risk

Similarly to the majority of entities operating in the construction industry, the Company's sales are also characterised by seasonality which consists in the generation of a significant part of the revenues from sales in the second half of a calendar year and in the generation of significantly lower revenues in the first quarter, which is of significant importance for the management of the Company's liquidity and working capital needs. The Company's liquidity is also affected by the fact that its key customers obtain financial funds for purchases of the Company's services through the subsidies granted by the Republic of Poland and the EU. Legal regulations governing such subsidies do not allow for the funds granted to be used for paying the VAT. It cannot be excluded that the VAT receivables may be paid late by customers, which would not release the Company from the obligation to pay the VAT within the time limits set in the VAT Act.

Irregular proceeds from customers may have an adverse impact on the liquidity of the Company. Any unexpected fluctuations in the liquidity and any unexpected increase in working capital needs may have a significant adverse impact on the Company's financial position.

In order to minimize liquidity risk, the Company uses external sources of financing in the form of loans (working capital facilities, overdraft facilities and investment loans). For details on liabilities on account of loans and borrowings as at 31 December 2021, see Note 3.15. In addition, the Company invests any surplus cash in interestbearing current accounts, term deposits, money market deposits, selecting instruments with appropriate maturity or sufficient liquidity in order to ensure a sufficient level of security.

The analysis of the Company's financial liabilities in net amounts by maturity in relation to the period remaining to their contractual maturity as at the balance sheet date is provided in the table below. The amounts in the table below are related to the contractual undiscounted cash flows.

As at 31.12.2021 Audited	Within 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years
Interest-bearing loans and borrowings	11 100	45 264	265 259	-
Financial lease liabilities	3 817	17 675	26 744	11 872
Bonds	196	-	28 451	-
Payables and other liabilities (without budget liabilities)	177 952	6 442	7 525	6 974

As at 31.12.2020 Audited	Within 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years
Interest-bearing loans and borrowings	1 984	67 092	216 583	-
Financial lease liabilities	4 129	21 405	32 426	14 872
Bonds	194	-	27 832	-
Payables and other liabilities (without budget liabilities)	211 025	26 651	8 337	5 759

Interest rate risk

As at 31 December 2021 as well as at 31 December 2020, a risk exists related to the fluctuations in interest rates which may affect the interest rates of loans, borrowings and finance leases contracted by the Company. Loans and borrowings contracted by the Group are described in detail in Note 3.15.

An analysis of impact of the interest rate volatility on the Company's profit or loss as at 31 December 2021 and 31 December 2020 is presented below: For the purpose of analysing the sensitivity to the interest rate fluctuations, such fluctuations were estimated as at 31 December 2021 and as at 31 December 2020 at the rationally expected level, i.e. +1/ -1 percentage point.

	Value at the balance sheet date	Sensitivity to changes as at December 31, 2021	
		+ 100 pb	- 100 pb
Trade receivables (present value)	294 417		
Trade payables (present value)	152 491		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	28 200	282	(282)
Loans and credit, factoring liability (nominal value/interest)	381 731	(3 817)	3 817
Bonds (nominal value/interest)	28 647	(286)	286
Gross impact on period result and net assets		**(3 535)**	**3 535**
Deferred tax		(672)	672
Total		**(2 863)**	**2 863**

	Value at the balance sheet date	Sensitivity to changes as at December 31, 2020	
		+ 100 pb	- 100 pb
Trade receivables (present value)	342 396		
Trade payables (present value)	220 948		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	15 055	151	(151)
Loans and credit, factoring liability (nominal value/interest)	358 491	(3 585)	3 585
Bonds (nominal value/interest)	28 026	(280)	280
Gross impact on period result and net assets		**(3 714)**	**3 714**
Deferred tax		(706)	706
Total		**(3 008)**	**3 008**

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Transactions that expose the Company to credit risk include trade receivables. The Management Board applies a credit policy which requires continuous monitoring of the Company's credit risk exposure. The Company performs interim analyses of the recovery ratios on a quarterly basis and full-scale analyses of those ratios after the end of the year. The Management Board analyses the calculation of ratios and detailed information on disputed and unpaid amounts of individual receivables balances on a quarterly basis.

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

The Company has adopted a policy of entering into transactions with counterparties with high creditworthiness and verified credit capacity. Credit capacity is assessed on a regular basis. If the future credit capacity of a counterparty is assessed negatively, the Company companies apply adequate collateral to minimize credit risk. Financial services monitor the balance of receivables on an ongoing basis, thereby reducing the risk of uncollectibility. The carrying amount of financial assets disclosed in the financial statements corresponds to the Trakcja's maximum exposure to credit risk (without collateral). As at the balance sheet date, receivables from PKP PLK S.A. account for 39% of the total receivables of Trakcja, therefore there is a significant concentration of credit risk.

For disclosures regarding overdue trade receivables and impairment losses on receivables and expected credit losses, see Note 3.9.

Loans and borrowings are granted in their entirety to subsidiaries. The credit risk of such loans is limited because the Company controls the operational activities of the subsidiaries.

The Company cooperates with highly-rated financial institutions. The use of credit limits is controlled on a regular basis. Available cash is invested in several banks in order to avoid concentration of risk related to liquid funds.

The maximum exposure to credit risk is equal to the carrying amount of the following financial instruments:

	Book value	
The maximum exposure to credit risk	**31.12.2021**	**31.12.2020**
Loans to:	8 792	6 360
- subsidiaries	8 792	6 360
Trade receivables and other gross beyond budget:	349 814	401 316
- from unrelated parties	333 247	399 084
- from subsidiaries	16 567	2 232
Cash and cash equivalents	16 618	6 693
Bank guarantees deposits	11 582	8 362
Total	**386 806**	**422 731**

Purposes and principles of risk management

The Company manages the financial risk by identifying, monitoring and raporting its factors, which is aimed at limiting the negative impact of currency risk on the Company's cash flows and economic results. In the Company, derivatives are measured at fair value. The Company uses bank valuations for evidence purposes.

3.23. Balance sheet items measured at fair value

The table below presents all the balance sheet items measured at fair value and a fair value hierarchy level assigned to them.

	31.12.2021 Audited	Level 1	Level 2	Level 3
Investment real estate:	**25 456**	-	-	**25 456**
Office real estate:	25 456	-	-	25 456
- land	22 467	-	-	22 467
- buildings	2 989	-	-	2 989

	31.12.2020 Audited	Level 1	Level 2	Level 3
Investment real estate:	**23 981**	-	-	**23 981**
Office real estate:	23 981	-	-	23 981
- land	20 806	-	-	20 806
- buildings	3 175	-	-	3 175

Assumptions used in determining fair values of investment properties were disclosed in Note 3.3.

4. Notes to the statement of cash flows

4.1. Differences between balance sheet and statement of cash flows items

Below is an explanation of selected items in the cash flows statement between the balance-sheet change and the change presented in the cash flows statement:

Change in receivables	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Balance sheet change in trade and other receivables	**77 230**	**(10 528)**
Adjustment regarding receivables from the sale of fixed assets included in investing activities	(53 000)	(1 574)
Adjustment for changes in dividend receivables from subsidiaries recognised in investment activities	14 837	-
Other exclusions of cashless transactions	(1 051)	-
Change in the cash flow statement	**38 016**	**(12 102)**

Change in liabilities	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Balance sheet change in trade and other liabilities	**(57 057)**	**8 454**
Balance sheet change in liabilities due to employee benefits	**(473)**	**1 040**
Other exclusions of cashless transactions	(187)	38
Change in the cash flow statement	**(57 717)**	**9 532**

4.2. Cash and cash equivalents disclosed in the statement of cash flows

	31.12.2021 Audited	31.12.2020 Audited
Cash at bank	11 196	6 693
Other cash - deposits	5 422	-
Total	**16 618**	**6 693**
- with limited access	8 344	-

Restricted cash in the amount of PLN 8,344 thousand constitute funds of the Company in bank accounts:

- resulting from the collateral of the advance repayment guarantee in the amount of PLN 7,505 thousand;

- representing funds on the cession of loan accounts in the amount of PLN 839 thousand.

5. Other information

5.1. Contingent receivables and liabilities

	31.12.2021 Audited	31.12.2020 Audited
Contingent receivables		
From related entities due to:	**950 892**	**702 400**
Received guarantees and sureties	950 892	702 400
From other entities due to:	**80 008**	**59 601**
Received guarantees and sureties	78 254	58 918
Bills of exchange received as collateral	1 754	683
Total contingent receivables	**1 030 900**	**762 001**
Contingent liabilities		
From related entities due to:	**972 569**	**726 031**
Provided guarantees and sureties	950 892	702 400
Promissory notes	21 677	23 631
From other entities due to:	**10 864 913**	**10 764 809**
Provided guarantees and sureties	685 047	668 050
Promissory notes	734 907	549 923
Mortgages	5 553 168	5 658 168
Assignment of receivables	976 023	1 053 263
Assignment of rights under insurance policy	165 998	227 438
Security deposits	17 964	34 754
Registered pledges	2 731 806	2 573 213
Total contingent liabilities	**11 837 482**	**11 490 840**

Contingent liabilities due to guarantees and sureties granted for the benefit of other entities are mainly guarantees issued by banks for the benefit of business partners of the Company as collateral for their claims against the Company arising 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.

Employee contingent receivables and liabilities

	31.12.2021 Audited	31.12.2020 Audited
Contingent receivables due to contracts signed with employees	-	706
Contingent liabilities due to contracts signed with employees	2 325	2 378

5.2. Information on guarantees and sureties granted and assets pledged as collateral

Pursuant to long-term financing agreements executed by the Company on September 27, 2019 (as notified by the Company in RB 51/2019), the following collaterals over the Company's assets were established:

- mortgages on real estate, including real estate located in: Warsaw, Wrocław, Bieńkowice;
- a registered pledge on a set of goods and rights;
- assignment to secure rights under commercial contracts, insurance and intragroup loans;

- pledge on shares in subsidiaries owned by the Company: BTW Sp. z. o.o. (100% of shares); PRK 7 Nieruchomości sp. z o.o. (100% shares); PDM S.A. (94.62% of shares); Torprojekt sp. z o.o. (82.35% of shares); Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o. (99.70% of shares); Przedsiębiorstwo Produkcyjno-Usługowe "DALBA" sp. z o.o. (100% of shares); AB Kauno Tiltai (30% of shares);
- registered pledge on inventories;
- pledge on bank accounts;
- voluntary submission to enforcement proceedings by the Company.

In addition, on the basis of financing agreements concluded on June 17, 2021, the Company undertook to establish a new pledge on 66,84% of the shares of its subsidiary AB Kauno Tiltai.

Therefore, as at December 31, 2021 and December 31, 2020, the total value of the assets of the Company and of the subsidiaries pledged as collateral in the balance sheet value was:

	31.12.2021 Audited	31.12.2020 Audited
Tangible non-current assets	72 661	76 240
Intangible assets	2 438	2 523
Investment properties	25 456	23 981
Investments in subsidiaries	288 940	144 114
Other financial assets	20 374	14 722
Inventory	52 176	46 494
Trade and other receivables	135 029	68 174
Cash and cash equivalents	16 618	6 677
Assets held for sale	-	5 037
Total	**613 692**	**387 962**

5.3. Significant disputed and court cases

The Company discloses significant proceedings before court or any other authority, regarding its liabilities and amounts due, as well as its subsidiaries.

Proceedings concerning the Company:

The case concerning receivables due from Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. in liquidation 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. In connection with the announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. (hereinafter referred to to as: “PNI”) with the possibility of concluding an agreement, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław submitted to the bankruptcy court lodgement of claim of the Company dated November 20, 2012. The notification concerned claims totaling PLN 55,664 thousand, including principal receivables, interest due up to the date of bankruptcy and charged contractual penalties.

To the Company's best knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja S.A. were recognised in the amount of PLN 10,569 thousand, including PLN 10,275 thousand for unpaid invoices and PLN 295 thousand for interest on late payment. The receivables from contractual penalties and other claims in the total amount of PLN 44,957 thousand were dismissed. The Company do not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the Company filed a complaint which was overruled. On June 8,

2015, the Company received a notice from the administrator in the bankruptcy proceedings on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and at the present time it is difficult to predict when it will conclude.

Case against Leonhard Weiss International GmbH

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

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

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

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

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

Case against ELTRANS sp. z o.o.

On May 30, 2019 the Company filed a lawsuit against ELTRANS sp. z o.o. based in Chorzow for the payment of PLN 2,768 thousand plus interest as the payment of remuneration for delivery, assembly and training on operating two oil-less turbochargers.

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

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

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

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

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

On December 23, 2020, the Company, Masfalt sp. z o.o. and Akcine bendrove "Kauno Tiltai" filed a request for arbitration against the State Treasury – the General Director of National Roads and Motorways, pursuing the amount of PLN 20,453 thousand in total by way of remuneration for the performance of the essential part of the agreement of October 23, 2017 for the design and implementation of the project referred to as "Extension of the national road No 22 on the Czarlin – Knybawa section" and by way of remuneration for materials on the construction site, contractual penalties for the Contractor rescinding the Contract due to the Contracting Entity's fault, remuneration for additional works and reimbursement of general construction costs in connection with extending the time necessary to implement the investment. The Company modified the amount of the claim by claiming a total amount of PLN 19,893 thousand. In the course of the procedure, the Contracting Entity has filed

a counterclaim of PLN 4,182 thousand. On March 7, 2022, in the course of the arbitration procedure the Parties concluded an agreement by which all existing and potential reciprocal claims between the Contractor and the Contracting Entity relating to the Contract were settled and the dispute over liability for the improper performance of the agreement was lifted; as a result, there is no risk of the Company being excluded from the tenders under Article 109(1)(5) and (7) of the Public Procurement Law. As a result of the settlement agreement, the Contracting Entity paid the Company the amount of PLN 4,989 thousand gross.

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

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

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

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

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

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

Proceedings against PKP PLK

On October 31, 2017, the Company filed a lawsuit against PKP PLK for the payment of PLN 46,747 thousand (including, interest of PLN 4,914 thousand), requesting that compensation be paid to it in connection with extension of the completion date of the agreement entitled: "Design and completion of construction works on the railway line Kraków – Medyka – State border, at the section Podłęże – Bochnia, km 16.000 – 39.000 as part of the project "Modernisation of railway line E 30/C-E30, section Kraków – Rzeszów, phase III" and a part of the lump-sum fee due to Trakcja and unpaid by PKP PLK due to the submission of an unjustified statement on the withdrawal in part from the agreement. On December 12, 2017, the Company extended the claim to PLN 50,517 thousand (including PLN 5,336 thousand interest). The extension pertained to the Company's claims against PKP PLK in relation to the groundless enforcement of the contractual penalties accrued and the part of remuneration for the performance of the contract and agreements for additional works, which PKP PLK unreasonably refuses to pay. On October 18, 2018, the Company extended the claim to PLN 51,767 thousand. The damage of Trakcja includes PLN 1,250 thousand, which the Company was obliged to pay to the Bocheński Poviat in order to satisfy the request of PKP PLK concerning earlier, than it resulted from the Work Schedule, launching of track 1 on the route Bochnia - Brzesko Okocim. On May 06, 2019, the Company extended the claim to PLN 84,121 thousand. Trakcja extended the scope of the claims pursued also by the claims for damages against PKP PLK, including tort claims of its subcontractors: Arcadis sp. z o.o., Torpol S.A. and PUT Intercor sp. z o.o. The case is pending and at the present time it is difficult to predict when it will conclude.

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

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

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

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

On August 27, 2018, the Company filed a lawsuit for payment against PKP PLK seeking the amount of PLN 6,675 thousand along with statutory interest for delay, as a compensation for unjust enrichment of the defendant in the form of unpaid remuneration for the performance of additional works related to the implementation of agreement of December 16, 2010 for "Designing and execution of construction works on Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section (km 111,500 - 133,600) as part of the

POIiŚ 7.1-30 project entitled "Modernization of the E30/CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2", specified in the Contractor's Applications No 72 (gas pipeline) and No 85 (Bystrzyca creek), which constitutes the principal amount of the present claim, i.e. PLN 6,284 thousand and capitalized interest on the principal for the period from October 6, 2017 to August 27, 2018. The case is pending and at the present time it is difficult to predict when it will conclude.

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

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

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

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

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

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

On April 2, 2019, the Company filed a lawsuit for payment against PKP PLK seeking the amount of PLN 489 thousand along with statutory interest for delay, as a reimbursement for additional costs resulting from the extension of the implementation of contract for Construction of civil engineering structures (on km 160,857; km 155.170 and km 145.650) of railway line No 271 Wrocław – Poznań, as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempiń–Poznań section" – as

regards to the Partial Contract C – railway overpass on km 160.857 in Poznań, due to circumstances within the scope of responsibility of PKP PLK. The case is pending and at the present time it is difficult to predict when it will conclude.

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

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

The amount claimed is PLN 12,301 thousand. On September 10, 2021, the Court issued a judgment rejecting the action in its entirety. The Company appealed against the judgment in the part relating to the proper execution of the noise barriers.

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

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

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

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

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

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

1. on January 28, 2022, the Company requested a guarantee of payment pursuant to Article 649^3 of the Civil Code in relation to Article 649^1 (1) of the Civil Code;
2. on February 28, 2022, the Company called on the Contracting Entity to cooperate under the pain of withdrawal;

3. on March 11, 2022, the Company withdrew the payment guarantee request submitted on January 28, 2022. At the same time, it has submitted new requests for payment guarantees pursuant to Article 649^3 of the Civil Code in relation to Article 649^1 (1) of the Civil Code;
4. during the period from March 11, 2022, the Company conducted intensified dialog with the Contracting Entity with a view to reaching an acceptable position for both Parties;
5. on March 25, 2022, the Company again requested the Contracting Entity to cooperate under the pain of withdrawal;
6. on April 20, 2022, the Company made a declaration of withdrawal of the claim for payment of the guarantee referred to in point 3 in connection with ongoing discussions with the Contracting Entity.

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

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

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

a) claims relating to the extended performance of the Contract;

b) a claim concerning the contractual indexation of the Contract Price;

c) supplementary and replacement works which have been carried out on the order of the Defendant;

d) claims concerning the non-cooperation of the Contracting Entity, i.e. in particular claims relating to the lack of track closures, delay in the acceptance of works.

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

Continued negotiations on claims

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

For the part of the contractual claims described above, the Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as a part of mediations at the Arbitration Court by the General Prosecutor's Office of the Republic of Poland for the amount of PLN 139.2 million (the gross amount with

capitalized interest as at the date when the claim was filed), including the amount due to Trakcja, approximately PLN 106.9 million.

In the period of 2021 and after the balance-sheet day, mediation meetings were continued in court proceedings and in the field of foundation piling. The parties shall be in the process of negotiating the value of the mediation settlement. According to the findings of the parties, the Railway Institute is still carrying out studies, additional to the initially defined scope of research, which, according to the findings of the Parties, are intended to form the basis for the settlement concerning foundation piles.

As at December 31, 2021, the value of other contractual claims which the Company is pursuing, together with consortium partners and subcontractors on a contractual basis (out of court) is PLN 328.7 million, including the amount due to Trakcja being PLN 279.8 million.

Proceedings relating to subsidiaries

AB Kauno Tiltai

In 2015, against the consortium comprising AB Kauno Tiltai was filled a lawsuit by Inwestor AB Lietuvos geležinkeliai for a total amount of PLN 68,943 thousand (EUR 14,990 thousand; the amount was converted at the exchange rate at the balance sheet date), which was reduced by a court order to PLN 4,792 thousand (EUR 1 042 thousand; the amount was converted at the exchange rate at the balance sheet date). The share of the Trakcja Group in possible liabilities that could result from this proceeding was 65%. In the fourth quarter of 2021, the case was settled by a court and a settlement was signed under which Inwestor AB Lietuvos geležinkeliai waived his claims against the consortium.

5.4. Information on related parties

Below are presented the total amount of transactions with related parties during the financial year.

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Other financial costs (including fees for structuring commissions)	Financial income due to dividends received
Shareholders:							
COMSA S.A.U.	1.01.21-31.12.21	-	-	-	551	19	-
	1.01.20-31.12.20	-	-	-	535	12	-
ARP S.A.	1.01.21-31.12.21	-	-	-	3 581	703	-
	1.01.20-31.12.20	-	-	-	1 847	32	-
Subsidiaries:							
PRK7 Nieruchomości sp. z o.o.	1.01.21-31.12.21	504	1 430	171	201	-	212
	1.01.20-31.12.20	21	1 325	6	300	-	733
Torprojekt sp. z o.o.	1.01.21-31.12.21	2 054	434	160	-	-	-
	1.01.20-31.12.20	247	1 444	130	-	-	-
AB Kauno Tiltai	1.01.21-31.12.21	249	-	-	272	227	45 347
	1.01.20-31.12.20	-	-	-	267	-	-
PEUiM sp. z o.o.	1.01.21-31.12.21	42	-	-	369	-	2 396
	1.01.20-31.12.20	4	-	-	175	-	1 309
PDM S.A.	1.01.21-31.12.21	331	2 238	153	65	-	-
	1.01.20-31.12.20	257	-	54	102	-	-
Dalba sp. z o.o.	1.01.21-31.12.21	9	3 680	68	46	-	-
	1.01.20-31.12.20	2	-	26	46	-	-
AB Kauno Tiltai Lenkijos skyrius	1.01.21-31.12.21	-	-	-	-	-	-
	1.01.20-31.12.20	515	2	-	-	-	-
BTW sp. z o.o.	1.01.21-31.12.21	3 977	10 284	85	573	-	-
	1.01.20-31.12.20	4 694	8 247	-	598	-	-
AB Kauno Tiltai Sverige	1.01.21-31.12.21	-	-	-	-	117	-
	1.01.20-31.12.20	-	-	-	-	-	-
Trakcja Ukraina sp. z o.o.	1.01.21-31.12.21	742	1 142	-	-	-	-
	1.01.20-31.12.20	-	-	-	-	-	-
Total	**1.01.21-31.12.21**	**7 908**	**19 208**	**637**	**5 658**	**1 066**	**47 955**
	1.01.20-31.12.20	**5 740**	**11 018**	**216**	**3 870**	**44**	**2 042**

Below are presented the information concerning receivables and liabilities from/to related parties at the end of a given financial year.

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Liabilities due to bonds	Loans granted	Borrowings received
Shareholders:						
COMSA S.A.U.	31.12.2021	-	88	8 500	-	242
	31.12.2020	-	88	7 930	-	241
ARP S.A.	31.12.2021	-	16	20 147	-	86 807
	31.12.2020	-	92	20 096	-	27 651
Subsidiaries:						
PRK7 Nieruchomości sp. z o.o.	31.12.2021	98	1 452	-	6	5 905
	31.12.2020	295	186	-	6	7 443
TORPROJEKT sp. z o.o.	31.12.2021	-	114	-	5 411	-
	31.12.2020	569	-	-	3 051	-
AB Kauno Tiltai	31.12.2021	15 395	-	-	-	17 044
	31.12.2020	112	231	-	-	16 827
PEUiM sp. z o.o.	31.12.2021	5	-	-	-	7 708
	31.12.2020	-	8	-	-	7 368
PDM S.A.	31.12.2021	768	1 663	-	2 239	720
	31.12.2020	495	-	-	2 192	2 161
Dalba sp. z o.o.	31.12.2021	3	343	-	1 136	932
	31.12.2020	79	-	-	1 111	1 071
AB Kauno Tiltai Lenkijos skyrius	31.12.2021	-	-	-	-	-
	31.12.2020	347	2	-	-	-
BTW sp. z o.o.	31.12.2021	298	3 033	-	-	9 330
	31.12.2020	335	3 723	-	-	11 684
Total	**31.12.2021**	**16 567**	**6 709**	**28 647**	**8 792**	**128 688**
	31.12.2020	**2 232**	**4 330**	**28 026**	**6 360**	**74 446**

Transactions with related parties are concluded on market terms.

The Industrial Development Agency (ARP), a 100% State-owned entity, had a joint control over the Company as at the balance sheet date as a result of the powers contained in the statutes of the Company. These powers expired at the end of 2021, and ARP currently has a significant influence on the Company. Based on paragraph 25 of IAS 24 the Group benefits from exemption concerning disclosure of detailed information about transactions with the Treasury and with entities over which it has control or joint control or has significant influence.

As at 1 January 2022, some of the statutory powers of COMSA , which give it personal rights, inter alia relating to the appointment of members of the bodies of the Company, expired. Detailed information are contained in the Statute of the Company.

In conjunction with the signing of the financing agreement on June 17, 2021, the Company increased collateral to its subsidiaries in the form of a guarantee for repayment of loans and advances to the toal amount of PLN 950,892 thousand, and thus the Company received collateral in the form of a surety from the subsidiaries (excluding the AB Kauno Tiltai Group) up to the total amount of PLN 950,892 thousand. During the financial period, costs arising from doubtful and non-performing receivables resulting from transactions with related parties were not recognised.

Balance of loans granted to related parties as at December 31, 2021 is presented in the table below.

Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
Dalba sp. z o.o.	1 000	PLN	02.02.2024	WIBOR 1M + margin	1 136	subsidiary
PDM S.A.	2 000	PLN	28.02.2024	WIBOR 1M + margin	2 239	subsidiary
PRK7 Nieruchomości sp. z o.o.	3 000	PLN	30.06.2020	WIBOR 3M + margin	6	subsidiary
Torprojekt sp. z o.o.	1 900	PLN	28.02.2024	WIBOR 3M + margin	2 093	subsidiary
Torprojekt sp. z o.o.	300	PLN	28.02.2024	WIBOR 3 M + margin	328	subsidiary
Torprojekt sp. z o.o.	300	PLN	28.02.2024	WIBOR 3M + margin	329	subsidiary
Torprojekt sp. z o.o.	200	PLN	28.02.2024	WIBOR 3M + margin	219	subsidiary
Torprojekt sp. z o.o.	200	PLN	28.02.2024	WIBOR 3M + margin	215	subsidiary
Torprojekt sp. z o.o.	500	PLN	28.02.2024	WIBOR 1M + margin	511	subsidiary
Torprojekt sp. z o.o.	200	PLN	28.02.2024	WIBOR 1M + margin	204	subsidiary
Torprojekt sp. z o.o.	1 500	PLN	28.02.2024	WIBOR 1M + margin	1 512	subsidiary
	11 100				**8 792**	

Loans granted to subsidiaries are included in the balance sheet item as other financial assets in the long/short-term part, respectively.

5.5. Information on benefits for key personnel

Remuneration of senior management and members of Company's Supervisory bodies in 2021:

Remuneration of Trakcja's Management Board

	Year ended	
Remuneration of the Management Board	**31.12.2021 Audited**	**31.12.2020 Audited**
Salaries and other current employee benefits	4 711	4 280
Total	**4 711**	**4 280**

Due to fact that the EBITDA and other targets set by the Company's Supervisory Board were fulfilled, provision for benefits for Management Board members in the amount of PLN 1,356 thousand was made.

For details of agreements concluded with managing persons, see section 5.9 and for additional information on remuneration of members of the Management Board and Supervisory Board, see section 5.8 of the Directors' Report on the operations of Trakcja Group and Trakcja S.A. in the financial year ended 31 December 2021.

The Management Board members of Trakcja were not shareholders, controlling shareholders, jointly controlling shareholders, or shareholder exerting a significant impact on the entities other than members of Trakcja Group.

In 2021 and 2020, Trakcja did not enter into any significant transactions with Company's management, also no borrowings were granted to the Management Board members or Supervisory Board members of Trakcja.

As at December 31, 2020, Trakcja had no liabilities resulting from pensions and benefits of similar nature for former member of management and supervisory bodies.

	Year ended	
	31.12.2021	31.12.2020
Remuneration of the Supervisory Board of the Parent company	**Audited**	**Audited**
Salaries and other current employee benefits	1 146	1 104
Total	**1 146**	**1 104**

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

Significant events in the financial year were detailed in Note 2.4 of the Director's Report on the operations of Trakcja Group and Trakcja S.A. in the financial year ended 31 December 2021. After the balance sheet date to the financial statements' preparation day, i.e. to April 27, 2022, there were no events that should be disclosed in the accounting records for the financial year.

Events during the financial year

Significant construction contracts	CR
11.02.2021 The Company and the Skarżysko-Kamienna Poviat, on behalf and for the benefit of which the County Roads Management Board in Skarżysko-Kamienna acts, as part of the project: »The construction of an integrated transportation system, including the reconstruction of the existing transportation system and the construction of a road structure to cross the Warsaw-Cracow railway line No. 8 and connect the Dolna Kamienna Housing Estate with the Przydworcowe Housing Estate in Skarżysko-Kamienna.The net value of the contract is PLN 28,281 thousand. The Work is to be completed by 31.12.2022.	4/2021
17.02.2021 The Management Board of Trakcja S.A. has become aware of the fact that on 16 February 2021 a contract was signed between the Issuer's subsidiary, Kauno Tiltai Sverige AB (with its registered office in Sweden), and the Skellefteå City Council for the execution of the following construction works: "New wooden bridge over the Skellefteälven River".The subject of the Agreement is the construction of a new bridge for pedestrian, bicycle and vehicular traffic. The contract covers all the work, including delivery and installation in accordance with the tender documentation.Total net value of the Contract amounts to SEK 202,848 thousand (PLN 90,734 thousand - according to the exchange rate as of the day of signing the contract). The work being the subject of the Contract is to be completed by 31.08.2023.	5/2021
09.04.2021 The Management Board of Trakcja S.A. has become aware of the bilateral signing on 08.04.2021 of Annexes and Agreements of a similar nature as the basic contract in connection with the agreement concluded on 10 January 2018 for realization of project documentation and exercising author's supervision over the execution of the Warsaw cross-city line reconstruction under the project POIiŚ 5.1-13 titled "Works on the Warsaw cross-city line on section Warszawa Wschodnia – Warszawa Zachodnia".The total net value of the Annexes concluded on 8 April 2021 shall amount to PLN 15,964 thousand net, and the share of Torprojekt Sp. z o.o shall amount to PLN 12,270 thousand net. The work is to be completed by 25 June 2029.	8/2021

28.05.2021 The Management Board of Trakcja S.A. informs that today an annex was signed by the Company with PKP Polskie Linie Kolejowe S.A. to the contract concluded on 16 August 2017, for the open tender for designing and performing construction works on the E20 railway line Siedlce-Terespol for the task titled "Works on the E20 railway line in the section Siedlce-Terespol, stage III-LCS Terespol". The total net value of the concluded Annex will amount to PLN 24,196 thousand.	15/2021
02.06.2021 The Management Board of Trakcja S.A. informs that in its capacity of a Consortium Partner, it has signed today with the Municipality of Olsztyn an agreement on the performance and finishing of construction work defined as „Expansion of the Tram Line in Olsztyn". The other Consortium participants are Polimex Mostostal S.A. and Polimex Infrastruktura sp. z o.o. (Consortium Leader). The net value of the contract amounts to PLN 327,776 thousand, where Trakcja S.A.'s share is 50% of the net contract value, i.e. PLN 163,888 thousand.	18/2021
05.07.2021 The Management Board of Trakcja S.A. informs that it has signed today with the City of Bydgoszcz a contract for the „Construction of a tram route connecting ul. Fordońska with ul. Toruńska, along with the expansion of the road layout and restructuring of the rail transport infrastructure in Bydgoszcz". The net value of the contract amounts to PLN 124,890 thousand.	26/2021
11.08.2021 The Management Board of the Company Trakcja S.A. informs that today a contract has been signed bilaterally between Trakcja S.A. and PKP Polskie Linie Kolejowe S.A. on the performance of construction works within the Project OPI&E 5.1-11.2 entitled: "Works on the railway line no. 7 Warszawa Wschodnia Osobowa – Dorohusk at the section Warsaw – Otwock – Dęblin – Lublin, stage II" the section Warszawa Wschodnia Osobowa – Warszawa Wawer. In compliance with the Contract, the value of works amounts to: PLN 366,155 thousand net. Conditional amount provided for hereunder amounts to: PLN 56,200 thousand net.	31/2021
18.08.2021 The Management Board of Trakcja S.A., acting in the capacity of Consortium Leader, informs that it has signed today with Generalna Dyrekcja Dróg Krajowych i Autostrad in Olsztyn [General Directorate for National Roads and Motorways] an annex for a supplementary contract to the basic contract entitled "Design and construction of the S-61 Szczuczyn-Budzisko Expressway (state border) with the following division of tasks: Task no. 2: Ełk Południe section hub - Wysokie hub (with an exit along the dk16 route). The estimated net value of the remuneration for the performance of additional work shall amount to PLN 23,118 thousand – which includes the amount of PLN 16,537 thousand net, for the Issuer. The actual value of the remuneration shall be confirmed by measurements.	33/2021
30.09.2021 The Management Board o f Trakcja S.A. hereby informs that today it received information about signing, o n September 30, 2021, b y the Issuer's subsidiary, AB Kauno Tiltai, with its registered office i n Lithuania, and Kaunas City administration (Kauno miesto savivaldybės administracija), o f a Contract for "performance o f construction works for the continuation o f the Ateities avenue from Palemono Street to T. Masiulio Street i n Kaunas, section 1 from Palemono Street (RP 23+38.07 to R P 38+5)". The total net value o f the Contract is equal to EUR 11,517 thousand (PLN 53,307 thousand).	42/2021
25.11.2021 Between the Issuer's subsidiary company AB Kauno Tiltai based in Lithuania as the Leader of the consortium composed of: - AB Kauno Tiltai – Leader of the consortium, - Litenergoservis – Partner of the consortium, based in Vilnius, Lithuania, and LITGRID AB (LITGRID Joint-Stock Company) based in Vilnius, Lithuania, further called the "Contracting Authority", a contract for the "Construction of an 330 kV overhead power line Darbėnai-Bitėnai" was bilaterally signed. The total net value of the concluded Contract is 46,930 thousand EUR (219,684 thousand PLN), of which AB Kauno Tiltai will receive the net amount of 32,851 thousand EUR (153,779 thousand PLN).	47/2021
29.11.2021 Two agreements for the "performance of physical barrier works on the territory of the Republic of Lithuania on the external border of the European Union and related services" have been bilaterally signed by the Issuer's subsidiary AB Kauno Tiltai with its registered office in Lithuania, as Leader of the consortium composed of: - AB Kauno Tiltai – Leader of the Consortium; - UAB "Alkesta" – Partner of the Consortium, and UAB "EPSO-G" (entity with the participation of the Ministry of Energy of the Republic of Lithuania). The total net value of the concluded Agreements is EUR 33 914 635.73 (PLN 159 337 741.59), therein the amount attributable to AB Kauno Tiltai will be EUR 16,957 thousand (PLN 79,669 thousand).	50/2021

14.12.2021 The settlement has been bilaterally signed by the Issuer, as Leader of the Consortium composed of: - Trakcja S.A. – Leader of the Consortium; - COMSA S.A.U. – Partner of the Consortium; with the Municipality of Kraków, represented by the Director of the Road Administration of the City of Kraków to an agreement on the execution of construction works: ”Reconstruction of the tram tracks throughout the Krakowska Street on the section from the Rollego Street to the Dietla Street along with the reconstruction of the existing road system, sidewalks, paths, the accompanying technical infrastructure, the junction of switches Krakowska-Dietla-Stradomska along with the reconstruction of the Dietla Street on the section from the Bożego Ciała Street to the Augustiańska Street along with the reconstruction of the existing Piłsudskiego Bridge across the Vistula River”. During the implementation of the contract objects under the protection of the monument conservator were found, which had a significant impact on the execution of the planned works. The change resulting from the Settlement concerns additional remuneration – the Ordering Party undertakes to pay the Contracting Party the amount of PLN 2 690 972.01 net on account of additional costs, the estimated impact on the results of the Company is about PLN 2 100 thousand.	52/2021

Refinancing process	**CR**
17.06.2021 The Management Board of Trakcja S.A. informs that Company has signed the documents on long-term financing, pursuant to which the Company: (i) has been granted a new, open-end credit of a total amount equal to PLN 52,983,000.00; (ii) has been granted a new, open-end loan of a total amount equal to PLN 52,746,000.00; (iii) the bank guaranty lines have been modified, inter alia, by extending their periods of availability. In particular, two new guaranties for returning an advance shall be issued, in amounts, as appropriate: PLN 30,067,215.94 and PLN 30,867,672.81. Additionally, as the Insurance Agreement on Joint Conditions has been modified, a new good performance guaranty shall be issued by insurance companies in an amount of PLN 30,067,216.67.	20/2021
24.06.2021 The Company’s Management Board informs that on 24 June 2021 it has received notice from mBank S.A., acting in the capacity of credit agent, on the satisfaction on 24 June 2021 of the conditions precedent specified in the annex to the credit agreement dated 17 June 2021.	22/2021
20.12.2021 The Company has signed the annexes on long-term financing, as explained in Note 3.15 "Interest bearing loans and borrowings" herein.	53/2021

Other	**CR**
04.01.2021 The Company received a notification presented by COMSA as a person closely related with Fernando Perea Samarra, Miquel Llevat Vallespinosa and Jorge Miarnau Montserrat - members of the Company’s Supervisory Board.	1/2021
07.01.2021 The Company hereby announced dates of publication of periodic reports in 2021.	2/2021
22.01.2021 The Company completed the process of cyclical reviews of long-term contracts and collection of financial data for the purpose of preparation of the Company’s individual financial statements for the 12 months ended on 31 December 2020. Therefore, the Company announced the initial estimate 2020 results: Sales revenues: PLN 652,753 thousand,Gross result on sales: PLN -18,614 thousand,EBITDA: PLN -32,089 thousand,Net profit/loss: PLN -64,928 thousand.	3/2021
03.03.2021 the sales price (PLN 53,000 thousand) for the Property has been paid, which has taken place in the following manner a part of the price in the amount of PLN 2,250,000.00 (two million two hundred fifty thousand) was received by the Company,a part of the price in the amount of PLN 50,150 thousand (fifty million one hundred fifty thousand) was transferred by the buyer, that is, Lotnicza 100 spółka z o.o. (the “Buyer”) by wire transfer to the account of mBank S.A with a view of repaying the whole of the Company’s debt obligations under a working capital credit (in the amount of PLN 50 million and interest), secured by a contractual joint mortgage established upon the Property which was the object of the sale, this will enable the removal of the mortgage in question.	6/2021
01.04.2021 The Company has decided to create a revaluation write-down for “Investments in subsidiaries” within the framework of the Company’s standalone balance sheet in the amount of PLN 3,855 thousand and a revaluation write-down for “Goodwill from consolidation” within the framework of the Trakcja Group consolidated balance sheet in the amount of PLN 38,735 thousand.	7/2021
10.05.2021 The Company hereby infromed on convening the EGM of Trakcja S.A. to be held on 10 September 2021.	9/2021
24.05.2021 The Company has received from its stockholder, ARP notice on the concluding of a conditional understanding between ARP, PKP PLK and the State Treasury of the Republic of Poland – Minister of Infrastructure, which primarily concerns involvement with the Company, within the framework of which, inter alia, PKP PLK has committed itself to subscribe 250 million shares of the Company’s stock for a total issue price in the amount of PLN 200 million.	10/2021

24.05.2021 The Company communicated inside information delayed on 26 November 2020 concerning the receipt of notice from ARP and PKP PLK that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of concluding an understanding between ARP and PKP PLK concerning, inter alia, the exercise of voting rights by ARP by reason of stock held in the Company's share capital in the manner agreed with PKP PLK, as regards the taking over of shares of stock of the new issue by PKP PLK.	11/2021
24.05.2021 The Company informed that on 25.11.2020 it received from ARP and PKP PLK notice that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of adding votes at the disposal of ARP following the concluding of an understanding between ARP and PKP PLK stipulated.	12/2021
24.05.2021 The Company has received from its stockholder, ARP notice on the concluding of a non-binding understanding between the Company's stockholders, that is, ARP and COMSA, concerning primarily the acquisition by ARP or an entity under the direct or indirect control of the State Treasury of the Republic of Poland or another entity designated by ARP, previously approved by COMSA of all stock issued by the Company, held by COMSA at a particular moment.The Parties have also agreed in the understanding that ARP or the Designated Buyer shall acquire from COMSA all bonds issued by the Company, held by COMSA at a particular moment.	13/2021
24.05.2021 The Company has received from its stockholder, ARP a stockholder representing at least one tenth of the Company's share capital – a motion for supplementing draft resolutions concerning business introduced into the Agenda of the Company's EGM convened for 10 September 2021 accompanied by draft resolutions.	14/2021
31.05.2021 The Management Board of the Trakcja S.A. Company informs that on 31 May 2021 the Supervisory Board of the Company adopted resolutions, under which it appointed current four members of the Management Board of the Company i.e. Marcin Lewandowski, Paweł Nogalski, Aldas Rusevičius i Arkadiusz Arciszewski for a new, joint term of office.	16/2021
01.06.2021 The Management Board of Trakcja S.A. convenes the Ordinary General Meeting of Trakcja S.A. for 29 June 2021.	17/2021
07.06.2021 The Management Board of Trakcja S.A. informs that the venue of holding the Company's Extraordinary General Meeting, convened for 10 September 2021 has been changed.	19/2021
23.06.2021 The Management Board of Trakcja S.A. informs that the Company has concluded today a consulting agreement with KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k., which marks the beginning of a review of strategic options for the Trakcja S.A. Group.	21/2021
29.06.2021 The Management Board of Trakcja S.A. announces the resolutions undertaken by the Company's Annual General Meeting, which was held on 29 June 2021.	23/2021
29.06.2021 The Management Board of Trakcja S.A. presents a list of shareholders holding at least 5% of the total number of voting rights at the Annual General Meeting held on 29 June 2021 in Warsaw.	24/2021
29.06.2021 The Management Board of Trakcja S.A. informs that on 29 June 2021, the shareholder of the Company, Agencja Rozwoju Przemysłu S.A. [Industrial Development Agency JSC], has submitted a written statement on the appointment – for a subsequent term of office – of Mr. Robert Sobków as Member of the Management Board, responsible for internal audit and Mr. Adam Stolarz as Member of the Management Board, responsible for the Company's key accounts.	25/2021
21.07.2021 The Management Board of Trakcja S.A. informs that on 21 July 2021 marks the completion of the cyclical review process of long-term contracts and collection of financial data for the purposes of preparing the Company's unit financial statements for the first half of the year ending on 30 June 2021.	27/2021
26.07.2021 Management Board of Trakcja S.A. announces that the Company has today received a notification submitted by COMSA as a person closely related to Fernando Perea Samarra, Miquel Llevat Vallespinosa and Jorge Miarnau Montserrat - members of the Supervisory Board of the Company, regarding pledges on stocks held by COMSA.	28/2021
26.07.2021 Management Board of Trakcja S.A. announces that on 26 July 2021, the Company received a statement from a stockholder, COMSA, to the effect that as of 27 July 2021: - The Stockholder dismissed Mr Fernando Perea Samarra from the Supervisory Board of the Company; and - The Stockholder appointed Mr Julio Alvarez Lopez to the Supervisory Board of the Company.	29/2021
10.08.2021 The Management Board of the Trakcja S.A. company informs that today the Company has received from a Member of the Management Board Mr. Robert Sobków a statement on the termination of the Management Contract concluded with the Company, with a 3-month notice period.	30/2021
16.08.2021 The Management Board of Trakcja S.A. informs that it has received a motion for the placement of certain items in the agenda of the Company's Extraordinary General Meeting convened for 10 September 2021 from the following shareholder: Otwarty Fundusz Emerytalny PZU "Złota Jesień" (which is a shareholder holding alone at least one twentieth of the Company's share capital).	32/2021
19.08.2021 The Management Board of Trakcja S.A. informs that it has received a statement today from Mr. Robert Sobków concerning his resignation from the post of Member of the Company's Management Board, effective as of 19 August 2021.	34/2021

20.08.2021 The Management Board of Trakcja S.A. informs that it has received a motion for the placement of certain items in the agenda of the Company's EGM convened for 10 September 2021 from the following shareholder: ARP (which is a shareholder holding alone at least one twentieth of the Company's share capital).	35/2021
08.09.2021 The Management Board of Trakcja S.A. informs that its shareholder, Otwarty Fundusz Emerytalny PZU „Złota Jesień" has nominated Ms. Magdalena Komaracka as a candidate in the election of a member of the Supervisory Board at the Company's EGM.	36/2021
10.09.2021 The Management Board of Trakcja S.A. makes public the content of the resolutions adopted by the Company's EGM held on September 10, 2021, together with the results of voting.	37/2021
10.09.2021 The Management Board of Trakcja S.A. informs that on September 10, 2021 the EGM of the Company adopted resolutions by means of which it: (i) dismissed Mr Michał Hulbój from the Company's Supervisory Board, (ii) appointed Ms Magdalena Komaracka as a member of the Supervisory Board of the Company.	38/2021
10.09.2021 The Management Board of Trakcja S.A. in Warsaw provides the list of shareholders holding at least 5% of the total number of votes at the EGM of the Company held in Warsaw on 10 September 2021.	39/2021
10.09.2021 The Management Board of Trakcja S.A. informed about the resolution of the EGM of 10 September 2021 on convening the EGM, the Management Board convenes the EGM of Trakcja S.A. on 29 November 2021.	40/2021
27.09.2021 The Management Board of Trakcja S.A. submitted the notification from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of the shareholder - Otwarty Fundusz Emerytalny PZU "Złota Jesień" ("OFE PZU"), about the reduction by OFE PZU of its share below 5% in the total number of votes in the Company.	41/2021
12.10.2021 The Management Board of Trakcja S.A. informs that on October 12, 2021, the Company signed a sale agreement pursuant to which the Company sold to Dantex spółka z ograniczoną odpowiedzialnością sp. k. the right of perpetual usufruct of real estate located at ul. Oliwska 11 in Warsaw for the price of PLN 25,000,000.00 net.	43/2021
22.10.2021 The Management Board of Trakcja S.A. informs that on October 22, 2021 marks the completion of the cyclical review process of long-term contracts and collection of financial data for the purposes of preparing the Company's unit financial statements, and consolidated financial statements of the Group for the third quarter of 2021, that is, from 1.07-30.09.2021 and for the 9-month period ending on September 30, 2021	44/2021
27.10.2021 The Management Board of the company Trakcja S.A. hereby informs that today the Management Board of the Company passed a resolution on converting some of the C series registered shares of the Company held by the Applicants into bearer shares in the total number of 12,335,891, comprising 92,939 C series registered shares held by ARP and 12,242,952 C series registered shares held by COMSA.	45/2021
19.11.2021 ARP undertook to purchase all, held by COMSA at a given moment, shares in the share capital of the Company and bonds issued by the Company, and COMSA undertook to sell them under the terms specified in the Agreement, at the same time making the carrying out of the Transaction dependent on the fulfilment of a number of conditions precedent specified in the Agreement. The Agreement was concluded assuming that shareholders of the Company would adopt a resolution on increase of the share capital of the Company from the amount of PLN 69,160,780.80 to the amount of PLN 269,160,780.80 through the issue of 250.000.000 new E series ordinary shares with a value of PLN 0.80 each.	46/2021
29.11.2021 EGM of the Company convened on November 29, 2021 has announced a break in the session until December 21, 2021. The Announcement of a break occurred in connection with the request to announce a break in the session of the EGM notified by the shareholder ARP.	48/2021
29.11.2021 The Management Board of the Company submitted the list of shareholders holding at least 5% of the total number of votes at the EGM of the Company, which took place on November 29, 2021.	49/2021
07.12.2021 The Management Board of the Warsaw Stock Exchange S.A. resolved to introduce as of 13 December 2021 to stock exchange trading in the primary market 12,335,891 series C ordinary bearer shares of the Trakcja S.A. company with a nominal value of PLN 0.80 (eighty grosz) each.	51/2021
21.12.2021 The Company informed that the EGM convened for 29 November 2021, and which has renewed its proceedings today following a recess, has announced another recess in its proceedings until 29 December 2021. The recess has been announced upon demand of the shareholder ARP.	54/2021
21.12.2021 The Company provided a listing of shareholders holding at least 5% of the total number of votes at the EGM of the Company, held on 21 December 2021.	55/2021
21.12.2021 The Company communicated inside information delayed on 23 November 2021. Issuer has reached the decision to submit a motion with its subsidiary, AB Kauno tiltai, for convening its general meeting for 23 December 2021 with a view of adopting a resolution by the general meeting of AB Kauno tiltai as regards the distribution of a dividend for a period shorter than the financial year, that is, for the period from January to September 2021, along with undistributed profits from previous years. Ultimately,	56/2021

the requested amount of the dividend has been set out by the Issuer's Management Board in the amount of EUR 9,999,769.32.	
23.12.2021 The Company informed that the general meeting of AB Kauno tiltai established in Kaunas, Lithuania, has adopted today a resolution as regards the distribution of a dividend for a period shorter than the financial year, that is, for the period from January to September 2021, along with undistributed profits from previous years in the amount of EUR 10,000 thousand	57/2021
29.12.2021 The Company announced the contents of the Resolution passed by the EGM with results of voting that was held on 29 December 2021 after the adjournment ordered on 21 December 2021.	58/2021
29.12.2021 The Company provided the list of shareholders with at least 5% of the general number of votes at the EGM of Shareholders held on 29 December 2021.	59/2021
30.12.2021 The Company was informed of the notification submitted by the Company's shareholders – ARP and COMSA, in which they inform that pursuant to the concluded Annex the Parties extended the expiry date of the concluded a preliminary contract on sales of shares and a conditional contract on sales of bonds issued by the Company to the 31.01.2022 in case of a failure of the Company's General Meeting of Shareholders to pass a resolution concerning an increase in the Company's share capital from PLN 69,160,780.80 to PLN 269,160,780.80 by issuing 250,000,000 new E series ordinary shares with a value of PLN 0.80 each.	60/2021

Events after balance sheet date

After balance sheet date to the day of financial statements' approval there were no events that should be disclosed in the accounting records for the financial year.

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

Other	**CR**
11.01.2022 The Management Board of Trakcja S.A. announced the dates of publication of periodic reports in 2022.	2/2022
14.01.2022 The Management Board of Trakcja S.A. informed that it has been advised today that on 8 January 2022 the District Court for the Capital City of Warsaw, Warsaw, XII Business Division of the National Court Register has registered the amendments to the Memorandum, as adopted under Resolution No. 7 of the Extraordinary General Meeting of the Company on 10 September 2021.	3/2022

21.01.2022 The process of preliminary closure of the accounts ended, including the process of reviewing long-term contracts and collecting financial data for the purposes of drawing up a yearly separate financial statement of the Company for 2021. Therefore, the Company announced preliminary estimated financial results of Trakcja for 2021.	4/2022
31.01.2022 The preliminary analysis of the available financial results of individual units of the Issuer's Group was completed and collecting financial data for the purposes of drawing up a consolidated financial statement of the Trakcja Group for 2021. Therefore, preliminary estimated consolidated financial results of the Trakcja Group for 2021 had been announced.	5/2022
31.01.2022 ARP - the Shareholder representing at least one twentieth of the Company's equity capital - made a request to convene the EGM of the Company on 8 April 2022 withe 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 exclusionof the pre-emptive right of current shareholders.	6/2022
31.01.2022 The Company convened the EGM of Trakcja S.A. on 8 April 2022.	7/2022
01.02.2022 Shareholders of the Company - ARP and COMSA submitted the notification in which they informed that pursuant to the concluded Annex the Parties extended the expiry date of concluded preliminary contract of sales of shares and conditional contract of sales of bonds issued by the Company in case of failure of the Company's share capital by issuing 250,000,000 new E series ordinary shares with a value of 0.80 PLN each.	8/2022
22.02.2022 The Company decided to establish a write-down for 'Investments in subsidiaries' in the Company's standalone balance sheet in the amount of PLN 18,513 thousand.	10/2022
11.03.2022 The Company's Supervisory Board passed resolutions on the grounds of which it has appointed the following Members of the Company's Management Board: Mr Marcin Lewandowski – President of the Management Board, Mr Aldas Rusevičius – Vice-President of the Management Board and Mr Adam Stolarz – Member of the Management Board. Furthermore, SB passed resolutions on the grounds of which it has appointed the following Members of the Company's Management Board: Mr Jakub Lechowicz to the position of the President of the Management Board and the Managing Director, Mr Piotr Mechecki to the position of the Vice-President of the Management Board and the Director responsible for the Company's Key Accounts, and Mr Jacek Gdański to the position of the Vice-President of the Management Board and the Internal Audit Director.	12/2022
16.03.2022 The Management Board of Trakcja S.A. has provided an information about the impact of war in Ukraine on the economic activity and financial results of the Company and Trakcja Group.	14/2022
25.03.2022 The Management Board of Trakcja S.A. with reference to the CR 2/2022 of January 11, 2022, informs that the date of publication of the individual annual report and the consolidated annual report for the financial year 2021, originally planned for March 31, 2022, has been postponed as of April 29, 2022. The remaining dates of publication of periodic reports remain unchanged.	15/2022
04.04.2022 Further to CR 6/2022 and 7/2022, the Management Board of Trakcja S.A. hereby transmits the opinion of the Company's Management Board, which justifies the depriving of Trakcja S.A. shareholders of pre-emptive rights for series E shares and concerning the manner of determining the issue price of series E shares, which shall be a part of the documentation for the next Extraordinary General Meeting of the Company convened for 8 April 2022.	16/2022
08.04.2022 The Management Board of Trakcja S.A. hereby announces the contents of resolutions adopted by the EGM, along with the results of voting, which was held on 8 April 2022.	17/2022
08.04.2022 The Management Board of Trakcja S.A. provided a listing of shareholders holding at least 5% of the total number of votes at the Extraordinary General Meeting of the Company, held on 8 April 2022, Warsaw.	18/2022
08.04.2022 The Management Board of Trakcja S.A. in connection with the submitted the relevant motion on April 8, 2022 by ARP - a shareholder which represents at least one twentieth of the Company's share capital - demanding the convening of EGM of the Company, the Management Board convened the EGM of Trakcja S.A. for May 6, 2022.	19/2022
20.04.2022 The Management Board of Trakcja S.A. informed that on 20 April 2022, as a result of a modification of the accepted estimates in the process of preparation of the financial statements, there has been a significant modification of published preliminary estimates of the Company's and Group's financial performance for the fourth quarter of 2021 and for the 12-month period ending on 31 December 2021, as published by the Company, respectively in CR nos. 10/2022 and 5/2022. The previously published estimates of the Company's and Group's financial performance for the foregoing periods have been modified primarily due to the following: 1. Modification of estimates concerning provisions for adjustment work with regard to two railroad contracts; 2. Modification of estimates concerning provisions for employee bonuses for 2021; 3. Modification of estimates concerning the impairment of value of receivables for past-due supplies and services over 365 days;	20/2022

4. Modification of estimates concerning performances set out in the budgets of two contracts in accordance with settlements reached after the balance sheet date.	
22.04.2022 The Management Board of Trakcja S.A. informed that the date of publishing the unit's annual report and consolidated annual report for financial year 2021, originally scheduled for 29 April 2022, has been rescheduled for 27 April 2022.	21/2022

The current and expected impact of COVID-19 on the financial situation, results, cash flow

The explosion and development of the SARS CoV-2 pandemic in Poland and on other markets in which the Group carries out economic activities, had little impact on the Group's operations and financial results during the period of 2021.

The ongoing SARS CoV-2 pandemic, which has so far resulted in, inter alia, transport reductions and destabilization of supply of components and raw materials, may lead to delays in the execution of orders by the Group on the basis of contracts under which the companies of the Group act as contractor or subcontractor; consequently, it may translate into the risk that contracting entities may claim payment of contractual penalties by the Company for the untimely completion of orders.

Although, at the date of approval of these financial statements for publication, both counterparties and financial institutions maintain business continuity, the further spread of SARS CoV-2 and the change in the working arrangements of the Group's counterparties, courts and institutions financing the Group may lead to longer decision-making processes and in this context, it may indirectly affect the Group's current activities, in particular by:

- obstruction of access by the Company to funds from the securities market,
- the need to change the delivery dates of the selected imported materials,
- reducing the availability of foreign workers,
- longer acceptance procedures due to customer's personnel working on a remote basis,
- longer administrative and judicial procedures,
- limited mobility,
- the need of remote work and quarantine for certain employees.

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

The COVID-19 pandemic may affect future valuation of the Group assets, including the result of impairment tests on investments in subsidiaries. Note 3.3 of these financial statements presents the possible effects of a pandemic on the test results.
In the event of any significant impact of the pandemic on the Group's financial and asset situation, the Company's Management Board of Trakcja will inform the stakeholders with an appropriate stock exchange announcement.

5.7. Financial statements in high inflation periods

The accumulated average annual inflation rate for the last three years for each of the periods covered by these standalone financial statements did not exceed 100%, and therefore the financial statements did not have to be restated using the consumer price index.

5.8. Headcount

Average headcount at the Group

	Year ended	
	31.12.2021 Audited	**31.12.2020 Audited**
Management Board of Parent entity	6	6
Administration	202	195
Sales department	6	5
Production division	944	997
Total	**1 158**	**1 203**

Headcount at the Company as at balance sheet date

	31.12.2021 Audited	**31.12.2020 Audited**
Management Board of Parent entity	5	6
Administration	191	182
Sales department	6	5
Production division	923	973
Total	**1 125**	**1 166**

5.9. Assets and liabilities of the company's social benefits fund (ZFŚS)

In accordance with the Act on the Company Social Benefits Fund of March 4, 1994, as amended, the company social benefits fund is established by employers that employ more than 20 employees in the equivalent of fulltime job positions. The Company established the fund and has been making regular contributions to this fund in the basic. amount. The objective of the fund is to subsidise the Company's social activities, loans granted to its employees and other social costs. The Company set off the fund's assets with its liabilities towards the fund, because such assets are not separate assets of the Company.

The table below present the analysis of assets, liabilities, costs and net balance of the offset assets and liabilities of the fund:

	31.12.2021 Audited	**31.12.2020 Audited**
Loans granted to employees	49	171
Cash	2 101	1 226
Liabilities attributable to the Fund	(2 140)	(1 727)
Balance after compensation	**10**	**(330)**
Contributions to the fund during the financial period	**1 806**	**1 467**

5.10. Information on the statutory auditor

Pursuant to a resolution adopted by the Supervisory Board of Trakcja, the entity authorised to audit financial statements of the Group and the Company is BDO spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw at Postępu 12 Street.

On August 18, 2021 the Company and BDO spółka z ograniczoną odpowiedzialnością sp. k. entered into an agreement for:

- the examination of the separate and consolidated half-yearly financial statements as at June 30, 2021 in accordance with the International Accounting Standards,
- the audit of the separate and consolidated annual financial statements as at December 31, 2021 in accordance with the International Accounting Standards,
- the examination of the separate and consolidated half-yearly financial statements as at June 30, 2022 in accordance with the International Accounting Standards,
- the audit of the separate and consolidated annual financial statements as at December 31, 2022 in accordance with the International Accounting Standards.

The agreement is concluded for the period of completion of its subject.

Remuneration of the statutory auditor for the services rendered for the Company is presented in the table below.

	Year ended	
	31.12.2021 Audited	**31.12.2020 Audited**
On account of agreement for financial statement audit	160	130
On account of agreement for financial statement review	70	70
Other certified services	44	40
Total	**274**	**240**

Remuneration for the audit of selected companies within Trakcja Group is paid under separate agreements concluded between the entity authorised to audit financial statements and each of the selected Group members.

Warsaw, April 27, 2022

Jakub Lechowicz
President of the Management Board

Paweł Nogalski
Vice-President of the Management Board

Arkadiusz Arciszewski
Vice-President of the Management Board

Piotr Mechecki
Vice-President of the Management Board

Jacek Gdański
Vice-President of the Management Board

Person in charge of keeping the accounting books:

Elżbieta Okuła

Chief Accountant