TRAKCJA

STANDALONE ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

We change the vision into reality

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 2020 to 31 December 2020.

The annual financial statements for the period from 1 January 2020 to 31 December 2020 were prepared in accordance with the International Financial Reporting Standards ("IFRSs") approved by the European Union, published and applicable as at 31 December 2020. Information included herein is presented in the following sequence:

1. Income statement for the period from 1 January 2020 to 31 December 2020, showing a net loss of PLN **70,481** thousand.
2. Statement of comprehensive income for the period from 1 January 2020 to 31 December 2020, showing negative total comprehensive income of PLN **70,457** thousand.
3. Balance sheet as at 31 December 2020, showing the total assets and total equity and liabilities of PLN **1,134,587** thousand.
4. Statement of cash flows for the period from 1 January 2020 to 31 December 2020, showing an decrease in net cash by PLN **40,821** thousand.
5. Statement of changes in equity for the period from 1 January 2020 to 31 December 2020, showing a decrease in equity by PLN **70,280** 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.

Marcin Lewandowski
President of the Management Board

Paweł Nogalski
Vice-President of the Management Board

Arkadiusz Arciszewski
Vice-President of the Management Board

Aldas Rusevičius
Vice-President of the Management Board

Robert Sobków
Member of the Management Board

Adam Stolarz
Member of the Management Board

Warsaw, April 15, 2021

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(figures in PLN '000, unless stated otherwise)

INCOME STATEMENT

	Note	Year ended 31.12.2020 Audited	Year ended 31.12.2019 Modified*
Continued operations			
Sales revenue	12	652 753	834 210
Cost of goods sold	13	(673 209)	(929 766)
Gross profit (loss) on sales		**(20 456)**	**(95 556)**
Cost of sales, marketing and distribution	13	(2 186)	(2 338)
General and administrative costs	13	(31 985)	(33 712)
Other operating revenues	14	5 188	3 446
Other operating costs	15	(5 118)	(13 049)
Operating profit (loss)		**(54 557)**	**(141 209)**
Financial revenues	16	2 613	5 162
Financial costs	17	(27 142)	(139 519)
Gross profit (loss)		**(79 086)**	**(275 566)**
Income tax	18	8 605	25 888
Net profit (loss) from continued operations		**(70 481)**	**(249 678)**
Net profit for the period		**(70 481)**	**(249 678)**
Profit per share attributable to shareholders in the period (PLN per share)	20		
- basic		(0.82)	(4.58)
- diluted		(0.72)	(4.58)

**The restatement in 2019 relates to the reclassification of costs between costs of sale, marketing and distribution as well as general management and administrative costs on one hand and own cost of sales on the other hand (for more information, see section 9 hereof)*

(figures in PLN '000, unless stated otherwise)

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31.12.2020 Audited	Year ended 31.12.2019 Audited
Net profit for the period		**(70 481)**	**(249 678)**
Other comprehensive income:			
Other comprehensive net income that will not be reclassified into profit or loss under certain conditions:	18.2	**-**	**1 273**
Profit from revaluation referred into revaluation reserve		-	1 273
Other comprehensive net income that will be reclassified to profit or loss:		**24**	**4**
Foreign exchange differences on translation of foreign operations		24	4
Total other comprehensive income		**24**	**1 277**
Total comprehensive income for the period		**(70 457)**	**(248 401)**

(figures in PLN '000, unless stated otherwise)

BALANCE SHEET

	Note	31.12.2020 Audited	31.12.2019 Audited
ASSETS			
Non-current assets		**614 064**	**614 028**
Tangible non-current assets	21	158 946	167 605
Intangible assets	23	51 255	50 510
Investment properties	22	23 981	19 789
Investments in subsidiaries	24	307 453	311 308
Other financial assets	26	6 241	8 340
Deferred tax assets	18.3	59 765	51 162
Accruals	27	6 423	5 314
Current assets		**520 523**	**614 433**
Inventory	28	46 494	64 720
Trade and other receivables	29	307 855	297 327
Other financial assets	26	8 481	11 777
Cash and cash equivalents	30	6 693	47 514
Accruals	27	8 862	12 813
Contracts with customers assets	33	137 101	175 245
Assets held for sale	32	5 037	5 037
TOTAL ASSETS		**1 134 587**	**1 228 461**
Equity and Liabilities			
Equity	35	**279 645**	**349 925**
Share capital		69 161	69 161
Share premium account		-	340 561
Revaluation reserve		7 082	7 082
Other capital reserves		273 883	182 823
Retained earnings		(70 481)	(249 678)
Foreign exchange differences on translation of foreign operations		-	(24)
Total equity		**279 645**	**349 925**
Long-term liabilities		**294 482**	**204 242**
Interest-bearing loans and borrowings	37	263 881	199 909
Bonds	38	27 832	-
Provisions	36	2 289	3 102
Liabilities due to employee benefits	39	480	1 231
Short-term liabilities		**560 460**	**674 294**
Interest-bearing loans and borrowings	37	94 610	159 479
Bonds	38	194	-
Trade and other liabilities	40	302 052	293 598
Provisions	36	42 133	86 440
Liabilities due to employee benefits	39	9 658	7 867
Accruals	27	716	455
Contracts with customers liabilities	33	111 097	126 455
TOTAL EQUITY AND LIABILITIES		**1 134 587**	**1 228 461**

(figures in PLN '000, unless stated otherwise)

STATEMENT OF CASH FLOWS

	Nota	Year ended 31.12.2020 Audited	Year ended 31.12.2019 Audited
Cash flows from operating activities			
Gross profit from continued operations		**(79 086)**	**(275 566)**
Adjustments for:		**33 731**	**87 617**
Depreciation		20 221	20 424
FX differences		1 479	(315)
Net interest and dividends		12 517	6 072
(Profit)/loss on investment activities		2 442	116 043
Change in receivables	31	(12 102)	(37 242)
Change in inventory		18 226	(14 359)
Change in liabilities, excluding loans and borrowings	31	9 532	(21 238)
Change in prepayments and accruals		3 105	245
Change in provisions		(45 119)	33 012
Change in settlements in contracts		22 785	(17 991)
Income tax paid		(2)	-
Other		647	2 976
Foreign exchange differences on translation of foreign operations		-	(10)
Net cash flows from operating activities		**(45 355)**	**(187 949)**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(1 547)	(3 410)
- acquisition		(4 167)	(3 633)
- sale		2 620	223
Financial assets		5 549	1 830
- granted or acquired		5 750	15 989
- repaid		(201)	(14 159)
Loans		(200)	(2 700)
- granted		15 000	-
- repaid		(15 200)	(2 700)
Net cash flows from investment activities		**3 802**	**(4 280)**
Cash flows from financial activities			
Net proceeds from the issue of shares		-	37 805
Net proceeds from bond issues		20 000	-
Proceeds on account of taken borrowings and loans		39 978	182 768
Repayment of borrowings and loans		(29 184)	(11 493)
Interests and commissions paid		(13 533)	(10 708)
Payment of liabilities under financial lease agreements		(16 529)	(20 080)
Net cash flows from financial activities		**732**	**178 292**
Total net cash flows		**(40 821)**	**(13 937)**
Cash at start of period		**47 514**	**61 451**
Cash at end of period	30	**6 693**	**47 514**

(figures in PLN '000, unless stated otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Share premium	Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2020 Audited	**69 161**	**340 561**	**7 082**	**-**	**391**	**182 432**	**(24)**	**(249 679)**	**349 925**
Net profit for the period	-	-	-	-	-	-	-	(70 481)	(70 481)
Other comprehensive income	-	-		-	-	-	24	-	24
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**24**	**(70 481)**	**(70 457)**
Reclassification in accordance with the resolution of the General Meeting	-	(340 561)	-	340 561	-	-	-	-	-
Distribution of profit	-	-	-	(70 920)	-	(178 759)	-	249 679	-
Issue of bonds convertible into shares	-	-	-	-	-	178	-	-	178
As at 31.12.2020 Audited	**69 161**	**-**	**7 082**	**269 641**	**391**	**3 851**	**-**	**(70 481)**	**279 645**
As at 1.01.2019 Audited	**41 120**	**309 984**	**5 808**	**-**	**391**	**269 117**	**(28)**	**(86 687)**	**539 705**
As at 1.01.2017 after adjustments	**41 120**	**309 984**	**5 808**	**-**	**391**	**269 117**	**(28)**	**(86 687)**	**539 705**
Net profit for the period	-	-	-	-	-	-	-	(249 678)	(249 678)
Other comprehensive income	-	-	1 273	-	-	-	4	-	1 277
Total comprehensive income	**-**	**-**	**1 273**	**-**	**-**	**-**	**4**	**(249 678)**	**(248 401)**
Distribution of profit	-	-	-	-	-	(86 687)	-	86 687	-
Issue of shares	28 041	30 577	-	-	-	-	-	-	58 618
Other changes	-	-	1	-	-	2	-	-	3
As at 31.12.2019 Audited	**69 161**	**340 561**	**7 082**	**-**	**391**	**182 432**	**(24)**	**(249 678)**	**349 925**

NOTES

1. General information

These financial statements are for the financial year ended December 31, 2020 and include comparative information for the financial year ended December 31, 2019.

Trakcja S.A. (hereinafter referred to as the "Company" or "Trakcja") was established in its present form on November 30, 2004 as a result of the acquisition of Trakcja Polska S.A. by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. ("PKRE S.A."). The name of the Company at the time was Trakcja Polska S.A. and was changed by Resolution No. 2 adopted by the Extraordinary General Meeting on November 22, 2007. The change was entered in the National Court Register on December 10, 2007. The prior business name of the Company was Trakcja Polska - PKRE S.A. Trakcja S.A. operates under the Articles of Association drawn up in the form of a notarial deed on January 26, 1995 (Rep. A No. 863/95), as amended.

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

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

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

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

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

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

On January 29, 2002 the Company was entered in the National Court Register by the District Court in Warsaw, 19th Commercial Division, under KRS 0000084266. The Company was assigned the statistical number REGON 010952900, the tax identification number NIP 525-000-24-39 and the PKD code 4212Z.

The Company's registered office is located in Warsaw at al. Jerozolimskie 100, II fl.

The term of the Company is unspecified.

Trakcja S.A. is the parent company of Trakcja Group.

The Company renders specialist construction and assembly services within the scope of railway and tram lines electrification.

The Company specialises in the following types of activity:

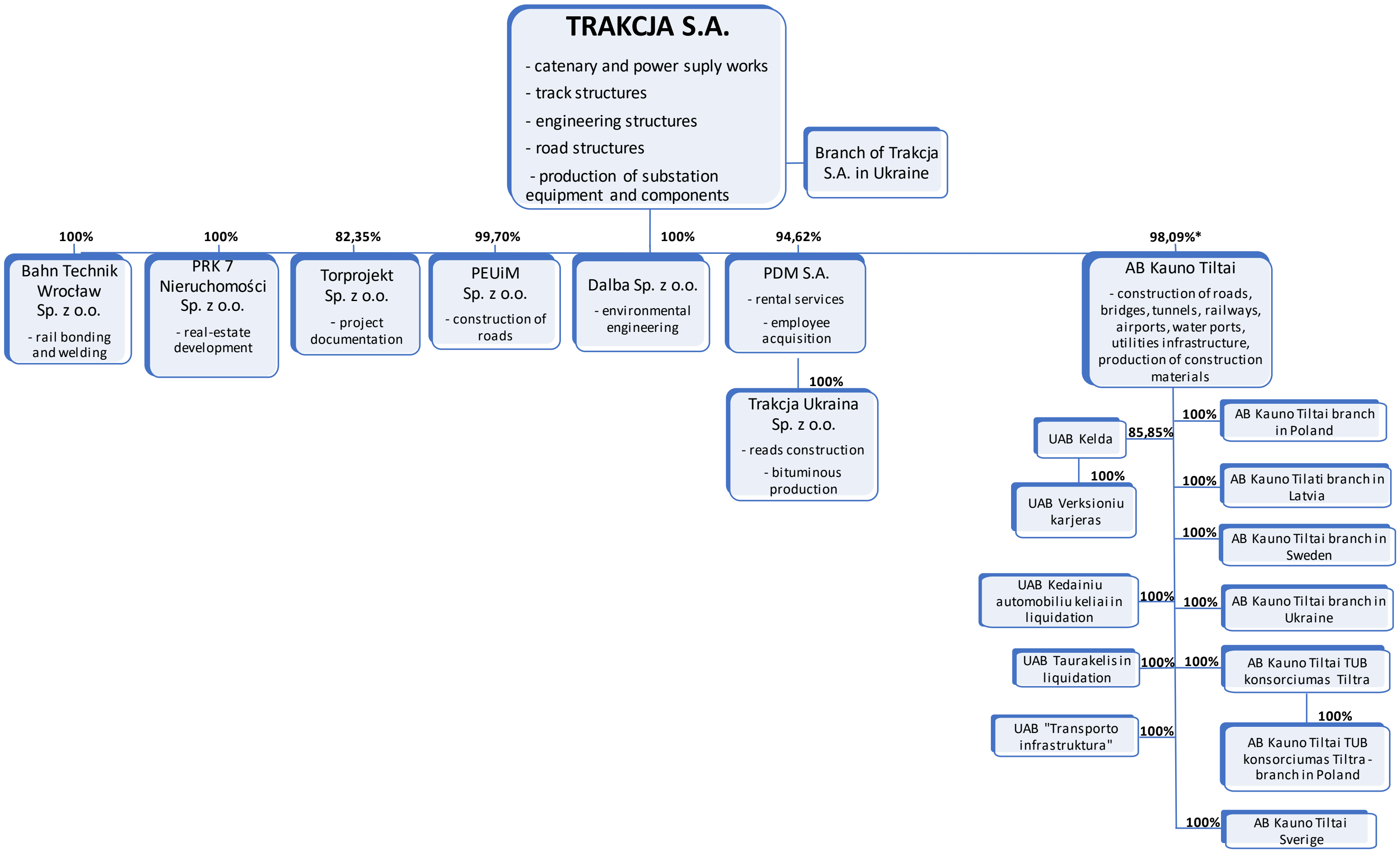
- track construction and repairs,
- foundation and network works,
- installation of traction substations and section cabs,
- installation of high and low voltage overhead and cable lines,
- installation of local control and supply cables,
- manufacturing of products (high, medium and low voltage switching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

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

These separate financial statements were approved for publication by the Company's Management Board on April 15, 2021.

2. Composition of the Group

Trakcja is the Parent Company of Trakcja Group. The Group's composition and structure as at 31 December 2020 is presented in the diagram below.



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

As at 31 December 2020, the Group consists of the Parent Company (Trakcja S.A.) and its subsidiaries.

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

Bahn Technik Wrocław sp. z o.o. („BTW")

Trakcja owns 100% of the share capital of Bahn Technik Wrocław 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 sp. z o.o., based in Warsaw, carries out real estate development activities and has a track record of several successful investment projects, which include, in particular, Lazurowe Osiedle residential project in Warsaw (stage I and II) and the project at ul. Oliwska in Warsaw, as well as the construction of five multi-family residential buildings in Warsaw at ul. Pełczyńskiego. Currently, the company also implements cubature construction projects.

Torprojekt sp. z o.o.

Torprojekt sp. z o.o. with its registered office in Warsaw was established in 2009. The company specialises 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, overpasses, 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 1960. PEUiM specialises in the construction of roads and pavements, and in the installation of signalling and safety devices to secure the roads. The company also manufactures bituminous mass, concrete and other building materials.

Dalba sp. z o.o.

Dalba sp. z o.o. is a company with its registered office in Białystok, whose activities involve the performance of engineering works, mainly, during the construction of sanitary infrastructure, roads and streets.

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

PDM S.A. is a company with its registered office in Białystok. Trakcja owns 94.62% of the share capital of the company.

It provides equipment, premises and tool rental services to external companies and supplies PEUiM with materials. Also, the company has expanded its operations by recruiting employees mainly from the Eastern European market.

Establishment of Trakcja S.A. in Ukraine

On 2017 Trakcja S.A. opened an establishment in Ukraine.

Trakcja Ukraina sp. z o.o.

PDM S.A. holds 100% of shares in Trakcja Ukraina sp. z o.o. On October 25, 2019 PDM S.A. acquired 49.9% shares in Trakcja Ukraina sp. z o.o., and became its sole shareholder.

AB Kauno Tiltai Group

AB Kauno Tiltai is the largest company in the road and bridge construction sector in the Baltic countries. It specialises 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 Parent Company, Trakcja, 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);
- UAB Taurakelis in liquidation – a subsidiary with its registered office in Tauragė (Lithuania);
- UAB Kedainiu Automobiliu Keliai in liquidation – a subsidiary with its registered office in Kėdainiai (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

On February 24, 2020, the address of the Issuer's registered office was changed from the previous address: ul. Złota 59, 18th floor, 00-120 Warsaw to the new address: Aleje Jerozolimskie 100, 2nd floor, 00-807 Warsaw.

On April 24, 2020, the Management Board of Trakcja S.A. adopted a resolution on terminating the business operations of the Trakcja S.A. plant in Bulgaria and on its liquidation as of June 1, 2020. By December 31, 2020, the Parent Company completed the process of closing down the Trakcja S.A. plant in Bulgaria.

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

On October 16, 2020, the name of the company was changed from Przedsiębiorstwo Drogowo-Mostowe Białystok S.A. (PDM Białystok S.A.) to Platforma Działalności Międzynarodowej S.A. (PDM S.A.). Also, the company has expanded its operations by recruiting employees mainly from the Eastern European market.

Apart from the above, there were no changes in the structure of the Trakcja Group in 2020.

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

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.

3. Management Board

As at 31 December 2020 the Company's Management 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;
- Robert Sobków - Member of the Management Board;
- Adam Stolarz - Member of the Management Board.

There were no changes in the composition of the Management Board in the course of 2020 or after the balance-sheet date until the publication date of this report.

4. Supervisory Board

As at 31 December 2020, the Company's Supervisory Board was composed of the following members:

- Dominik Radziwiłł - Chairman of the Supervisory Board;
- Jorge Miarnau Montserrat - Vice-Chairman of the Supervisory Board;
- Michał Hulbój - Vice-Chairman of the Supervisory Board;

- Krzysztof Tenerowicz - Member of the Supervisory Board;
- Klaudia Budzisz - Member of the Supervisory Board;
- Miquel Llevat Vallespinosa - Member of the Supervisory Board;
- Fernando Perea Samarra - Member of the Supervisory Board.

There were no changes in the composition of the Supervisory Board in the course of 2020 or after the balance-sheet date until the publication date of this report

5. Approval of the annual financial statements for publication

These annual financial statements were approved for publication by the Management Board on 15 April 2021.

6. Significant values based on professional judgement, estimates and assumptions

In applying the accounting principles (policy) such factors as accounting estimates, assumptions and professional judgement of the entity's management are important. The assumptions and estimates made are based on the past experience and on factors considered reasonable, and their results are a basis for the professional judgement on the carrying amounts of the relevant assets and liabilities. The estimates and assumptions related thereto are verified as at the balance sheet date. Despite the fact that the estimates are based on the best knowledge regarding the current conditions and operations performed by the Company, the actual performance may differ from the estimates.

Where a given transaction does not fall within the scope of any standard or interpretation, the Management Board, guided by its subjective judgment, determines and applies accounting policies that ensure that the financial statements contain appropriate and reliable information and:

- give a clear, true and fair view of the Company's assets, its financial condition, results of operations and cash flows,

- reflect the economic substance of transactions,

- are objective,

- conform to the principles of prudent valuation and

- are complete in all material respects.

The professional judgement of the management, assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that carry a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities in the next financial year are discussed below.

6.1. Professional judgement

Fair value of financial instruments

The fair value of financial instruments for which no active market exists is determined by means of appropriate valuation methods. In selecting appropriate valuation methods and assumptions, the Company relies on professional judgement. The underlying assumptions are presented in Note 43. In 2020, the Company did not change the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

Investment 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.

Control over related entities

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.

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.

6.2. Uncertainty of estimates and assumptions

Measurement of long-term construction contracts

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

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.

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.

Provisions for additional works

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The Company is obliged to grant warranty for its services. The provision for additional works depends on the segment in which the 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. The carrying amount of the provisions for additional works as at 31 December 2020 is presented in Note 36 of the Notes.

Provisions for contractual penalties

The Company recognises provisions for contractual penalties in relation to any contracts under completion in the amounts in which they may and are likely to be imposed. Provisions are recognised based on the documentation regarding the contract completion and on the opinion of lawyers who participate in the ongoing negotiations and estimate the Company's potential future liabilities on the basis of their course. The carrying amount of the provisions for contractual penalties as at 36 December 2020 is presented in Note 36 of the Notes.

Measurement of employee benefit liabilities

Employee benefit liabilities for retirement benefits and jubilee bonuses in the current period are estimated on the basis of actuarial methods which take into account amendments to the remuneration regulations made on 3 June 2017. On September 21, 2020, the Management Board of the Company in consultation with the trade unions operating in the Company adopted new Remuneration Regulations of Trakcja S.A. The new Remuneration Regulations introduced changes to, inter alia, the payment system of jubilee awards and retirement severance. Amendments to the regulations resulted in changes in the valuation of liabilities on account of employee benefits as of September 30, 2020. The amount of liability depends on various factors which are used as assumptions in the actuarial method. Key assumptions for determining the amount of liability are the discount rate and the average expected increase in wages.

Deferred tax 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. The carrying amount of the deferred tax assets as at 31 December 2020 is presented in Note 18.3 of the Notes.

Amortisation and 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.

Investment property

Investment property is measured at fair value. The value of investment properties is determined by independent appraisers who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Company followed the principles set forth in IFRS 13 and in the Real Estate Management Act and also in the Regulation of the Council of Ministers on the detailed principles of property appraisal and rules and method for preparing appraisal reports. Fair value of investment property was measured by way of applying measurement techniques that require a maximum use of observable data. The detailed information and carrying amount of the investment property as at 31 December 2020 is provided in Note 22 of the Notes.

Impairment of inventories

The Management Board assesses whether there are any indications that inventories may be impaired, in accordance with Note 8.8. 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. For additional information, see Note 28.

Expected credit loss and impairment of trade and other receivables

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

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.

Information on valuation techniques and inputs used to measure the fair value of particular assets and liabilities is disclosed in Notes 22, 43 and 45.

7. Basis for preparation of the annual financial statements

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

The 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 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 financial statements, there are no circumstances which would indicate a threat to the Company continuing as a going concern. For detailed information, see Note 10.

In addition, for the purposes of financial reporting, measurements at fair value are categorised according to three levels, depending on the degree to which the input data for measurements of fair value is observable and on the significance of the input data for measurement to the fair value as a whole. These levels are as follows:

- Level 1: the input data is prices listed (unadjusted) on the active markets for identical assets or liabilities to which the entity has access as at the measurement date.

- Level 2: the input data is any data other than the prices categorised to Level 1, which is observable for a given asset or liability, directly or indirectly.

- Level 3: the input data is unobservable data for measurement of a given asset or liability.

7.1. Statement of compliance

The 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 2020.

Any standards other than those that were in force as at 31 December 2020 and were approved by the EU as at the preparation hereof are described in Note 9.

The effect of application of new accounting standards and changes in accounting policy is described in Note 9.

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

7.2. Measurement currency and reporting currency

The Polish zloty is the Company's measurement and reporting currency of these annual financial statements, whereas the Bulgarian lev (BGN) is the measurement and reporting currency of the Trakcja S.A. establishment in Bulgaria and the Ukrainian hryvnia (UAH) is the measurement and reporting currency of the establishment in Ukraine.

8. Significant accounting principles

8.1. Foreign currency translation

The Polish zloty is the Company's functional currency, whereas the Bulgarian lev (BGN) is the functional currency of the Trakcja S.A. establishment in Bulgaria and the Ukrainian hryvnia (UAH) is the functional currency of the establishment in Ukraine.

Transactions denominated in foreign currencies are translated by the Company into its functional currency at a relevant exchange rate effective for the transaction date.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the closing rate. Currency translation differences are recognised under finance income or costs, as appropriate.

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are disclosed at the historical exchange rate from the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are translated at the exchange rate effective on the date of determining the fair value.

The following exchange rates were used to determine the carrying amounts:

(figures in PLN '000, unless stated otherwise)

Exchange rate on the reporting date:	31.12.2020	31.12.2019
PLN/USD	3.7584	3.7977
PLN/EUR	4.6148	4.2585
PLN/SEK	0.4598	0.4073
PLN/BGN	2.3595	2.1773
PLN/UAH	0.1326	0.1602

Average rate, calculated as the arithmetic mean of monthly average rates	31.12.2020	31.12.2019
PLN/USD	3.8996	3.8353
PLN/EUR	4.4442	4.2952
PLN/SEK	0.4239	0.4061
PLN/BGN	2.2723	2.1961
PLN/UAH	0.1450	0.1489

8.2. Tangible non-current assets

8.2.1. Non-current 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.

8.2.2. 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.

8.2.3. Leases

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 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.

8.2.4. Investment in subsidiaries

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.

8.2.5. Impairment of non-financial assets

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.

As at each balance sheet date the Company decides on whether any circumstances exist which indicate that impairment losses recognised in previous periods on the asset concerned are still required or whether they should be decreased. If appropriate circumstances exist, the Company estimates the recoverable value of the asset concerned. The previously recognised impairment loss is reversed if, and only if, the estimated value used for determining the recoverable value of a given asset has changed since its recognition. In such an event, the carrying amount of a given asset is increased up to its recoverable value. The increased amount cannot exceed the asset's carrying amount, which would be determined (less any accumulated depreciation or amortisation) if in the previous years the asset concerned was not impaired at all. The reversal of the impairment loss on a given asset is recognised as revenue directly in the income statement, unless such an asset is recognised in the revaluated value, then the reversal is recognised as an increase in the revaluation reserve. Upon the reversal of the impairment loss, in the following periods the amortisation/depreciation amount is adjusted in such a way as to allow for the verified carrying amount of a given asset less its residual value to be amortised/depreciated on a regular basis over the remain useful life of such an asset.

8.2.6. 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.

8.3. Assets held for sale

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.

8.4. Investment properties

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.

After their initial recognition all investment properties are recognised at their fair value.

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

Fair value can be determined by way of:

- updating it on the basis of valuation carried out by an independent expert with recognised and suitable professional qualifications and experience in evaluating properties with similar location and characteristics;
- analysing data derived from the active market (market prices) of similar investment properties with similar location and in similar condition.

Assets are transferred to and from investment properties only if their intended manner of use is changed.

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.

If the entity may determine the fair value of an investment property previously measured at cost during its construction, it measures such a property at its fair value. Once the construction of the investment property measured at fair value is completed, the difference between the fair value of such a property on that day and its earlier carrying amount is recognised in profit or loss.

8.5. 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.

8.5.1. Research and development costs

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").

The rules applied to the Company's intangible assets can be summarised as follows:

	Patents and licenses	Development costs	Computer software
Periods of use	For patents and licenses used under a agreements executed for a definite period of time, this period is assumed, taking into account an additional period by which the use may be extended.	3 years	2 years
Depreciation method used	Linear method	Linear method	Linear method
Internally generated or acquired	Acquired	Internally generated	Acquired
Impairment tests	Annual tests on whether there are indications of impairment.	Annual tests on whether there are indications of impairment.	Annual tests on whether there are indications of impairment.

Any gain or loss on derecognition of intangible assets is calculated as a difference between the net sales proceeds and the carrying amount of such assets, and recognised in profit or loss for the period, in which the assets are derecognised.

8.5.2. 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.

Impairment of goodwill is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the Group recognises an impairment loss. If goodwill comprises a part of a cash-generating unit and the Company sells a part of the cash-generating unit's business, the goodwill pertaining to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on disposal of the part of business. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

8.6. 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.

Initial recognition of a financial 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:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;

b) 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.

Option to measure at fair value through profit or loss and option to measure at fair value through other comprehensive income

IFRS 9 allows for classification of instruments into the category of fair value through profit or loss regardless of whether or not the tests described above are met, if such classification eliminates or significantly reduces the accounting mismatch. The Company does not use this classification option.

IFRS 9 allows for classification of equity instruments as measured at fair value through other comprehensive income. Instruments classified in this category are measured at fair value and changes in fair value are recognised directly in other comprehensive income without any transfer to profit or loss at the moment of sale. The Company does not use this option.

The general model is used by the Company for financial assets measured at amortised cost - other than trade receivables and assets from contracts with customers.

In the general model, the Company monitors the changes in the level of credit risk associated with a given financial asset and classifies financial assets to one of the three stages of impairment allowances based on the observation of the change in the credit risk level in relation to the initial recognition of the instrument.

Credit losses are defined as the difference between all contractual cash flows that are due to the entity and the cash flows that the entity expects to receive. This difference is discounted using the original effective interest rate.

The Company accounts for forward-looking information in the applied parameters of expected credit losses estimation model through the expert, management adjustment of base ratios of probability of default. To calculate the expected credit loss, the Company determines the probability of default for receivables estimated on the basis of an analysis of the value of outstanding invoices and the default rate estimated on the basis of the value of outstanding invoices.

In accordance with IFRS 9, for trade receivables measured at amortised cost, the Company applied a practical simplification, whereby the lifetime expected losses may be assessed on the basis of an "age table of past due receivables" based on historical data, applying the principles set forth in the standard for current and expected economic conditions which are determined on the basis of an expert adjustment.

In the calculation of the expected credit loss, the Company applies a practical simplification in accordance with IFRS 9 - lifetime expected credit losses on trade receivables are assessed in terms of "age table of past due receivables". Requirements:

- Based on historical experience,
- Determines fixed % of allowances,
- The tables differ depending on the historical experience of each customer group.

For trade receivables, the Company applies a portfolio approach whereby historical data on the ratio of uncollected receivables to total receivables that have reached a specified delinquency bracket for each risk category are analysed. The Company has defined the following brackets:

- Paid on or before the due date,
- Paid up to 30 days after the due date,
- Paid 31-90 days after the due date,
- Paid 91-180 days after the due date,
- Paid 181-365 days after the due date,
- Paid later than 365 days after the due date,
- Unpaid.

For two 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.

As at each balance sheet date, the Company individually assesses the expected losses on recognised receivables and the probability of their occurrence for infrastructure entities. This assessment is made on the basis of the estimated outcome of negotiations in the case of disputes. Due to the fact that this group includes entities without bankruptcy capacity, the Company does not estimate the probability of default on contractual terms, but only the recoverable amount of receivables following the arrangements made with these entities regarding the final value of the work performed.

For other entities, the Company applied the model of group assessment of expected losses in line with the simplified approach defined in IFRS 9. Under this model, the Company estimates the allowance for lifetime credit losses on receivables from entities with similar credit risk characteristics. For the purpose of estimating the expected credit loss, the Company uses historical levels of credit losses depending on past due periods, adjusted by current expectations as to the development of these factors in the future.

Impairment of receivables reduces their carrying amount by using an expected loss account and recognising them as cost of sales or finance cost, respectively, depending on the type of receivables write-down. Reversal of the expected credit loss on receivables is recognised as a decrease in the cost of sales or finance costs.

Equity instruments are recognised in accordance with IAS 27 at cost less impairment losses.

A derivative measured at fair value through profit or loss may be designated as a hedging instrument. Hedging instruments are subject to special measurement rules.

Presentation

Financial assets and financial liabilities are presented as non-current unless they mature within twelve months after the balance sheet date.

Derecognition of assets

A financial asset (or a part of a financial asset or a group of similar financial assets) is derecognised from the balance sheet if:

- the contractual rights to receive the cash flows from the financial asset expire;
- the Company has transferred its rights to receive the cash flows from the asset and either (a) it has transferred substantially all risks and rewards of ownership of the financial asset, or (b) it has neither

transferred nor retained substantially all the risks and rewards of ownership of the financial asset but it has transferred control over the financial asset; or

- The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows in full and without undue delay to a third party under a transfer agreement.

If the Company has transferred its rights to receive the cash flows from an asset to another entity and it has neither transferred nor retained substantially all risks and rewards of ownership and the transfer has not resulted in the transfer of control over the asset, the asset is recognised to the extent the Company has continuing involvement in such asset. The Company's continuing involvement in the form of guaranteeing the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of the consideration received that the Company could be required to pay.

8.7. Hedge accounting

A hedging instrument is a designated derivative or (for a hedge of the risk of changes in foreign currency exchange rates only) a designated non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

After the initial recognition, the entity measures a financial asset or liability at fair value corresponding to the amount for which an asset may be replaced or liability settled between the interested and informed parties at arm's length.

A cash flow hedge which meets the hedge accounting principles is recognised as follows:

- A part of gain or loss on a hedging instrument which is considered an effective hedge is recognised only as a change in value of the hedged position;
- A non-effective part of gain or loss on a hedging instrument is recognised in profit or loss.

A cash flow hedge considered effective is recognised in equity until the recognition of the asset or liability hedged.

8.8. Inventory

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.

8.9. Cash and cash equivalents

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.

8.10. Equity

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 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.

Revaluation reserve is created in accordance with the provisions of the commercial law, according to which contributions to a supplementary capital must constitute at least 8% of the profit for a given financial year, until it constitutes at least one third of share capital.

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 also includes:

- Previous years' profits,
- Actuarial gains (losses),
- equity component concerning bonds.

Retained earnings include a profit or loss for the reporting period concerned.

8.11. Interest-bearing loans, borrowings and debt securities

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.

8.12. Trade and other liabilities

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.

Derecognition of a financial liability

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.

8.13. Provisions

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.

If an impact of the value of money in time is significant, the provision is determined by discounting the forecast future cash flows to their present value, using the gross discount rate that reflects the present market value of money in time and any risk related to a given liability. If a discount-based method is applied, an increase in the provision over time is recognised as financing costs.

Provisions for losses on contracts are recognised when inevitable expenses related to the fulfilment of the commitment towards a customer exceed expected revenues according to the estimates of a realisable transaction price. In particular, such provisions shall also be recognised as a result of the revision of budgets and the degree of work progress. In events in which the future budgeted costs exceed the revenues from the transaction price, which are still to be recognised, the difference (expected loss on the contract concerned) shall be recognised in the statement of financial position as a provision. In the following periods, such a provision shall be derecognised as the actual loss is incurred or increased if the following revisions result in a higher loss being expected.

The Company recognises no provisions for future operating losses.

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.

If a discount-based method is applied, an increase in the provision over time is recognised as a financial expense.

Provisions shall be subject to revision as at each balance sheet date in order to reflect current estimates.

8.14. Retirement and pension benefits and jubilee bonuses

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. Liabilities from employee benefits related to retirement benefits and jubilee bonuses in the current period were estimated on the basis of actuarial methods, taking into account the changes to the remuneration regulations made on September 21, 2020.

8.15. Accruals of costs

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").

8.16. Short-term receivables

The Company recognizes a receivable if its right to remuneration is unconditional. The right to remuneration is unconditional if the lapse of a specific period of time constitutes the sole condition for the remuneration being due and payable.

Short-term trade and other receivables are measured after initial recognition at amortized cost using the effective interest rate and are reduced by impairment write-offs, if any.

8.17. 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:

a) any goods or services (or any bundle of goods or services) that are distinct; or

b) 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:

a) 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

b) 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:

a) 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

b) 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.

8.17.1. Contract asset

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.

8.17.2. 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.

8.18. Revenue and costs from contracts with customers

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".

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.

The Company verifies on a quarterly basis the following:

- the degree of work progress;
- the total implementation costs of works;
- the expected transaction price.

The Company makes sure that the value of assets related to the contracts implemented, as indicated in the statement of financial position, does not exceed any potential future remuneration accounts less any costs attributable to future periods.

The foregoing is made, in particular, through the regular revision of the viability of the assumed transaction price and the expenses budget. The verified degree of progress in works is then compared to these two values in order to ensure that the assets are recognised exclusively up to the likely obtainable amount.

As a result of this process, the Company complies with the requirement under paragraph 101 of IFRS 15.

8.18.1. 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.

8.18.2. 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.

8.18.3. Dividend income

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

8.19. Taxes

8.19.1. 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.

8.19.2. 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.

Provisions for deferred income tax are recognised with reference to all the positive temporary differences:

- except for when a provision for deferred income tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination and having no effect at the moment of its being carried out on the gross profit or loss or on the taxable income or tax loss; and

- for the positive temporary differences arising from investments in subsidiaries or affiliated parties and shares in joint ventures, except for when the due dates for the reversal of temporary differences are subject to the investor's control and when it is likely that in the foreseeable future the temporary differences will not be reversed.

Deferred tax assets are recognised in relation to all the negative temporary differences and also to unused tax assets and unused tax losses carried forward to the next years, to the extent which makes it probable that future taxable income will be available to be reduced by the aforementioned differences, assets and losses:

- except for when the deferred tax assets related to the negative temporary differences arise from the initial recognition of an asset or liability in a transaction other than a business combination and having no effect at the moment of its being carried out on the gross profit or loss or on the taxable income or tax loss; and
- for the negative temporary differences arising from investments in subsidiaries or affiliated parties and shares in joint ventures, the deferred tax asset is recognised in the balance sheet only to the extent which makes it probable that in the near future the aforementioned temporary differences will be reversed and the taxable income will be available to deduct the negative temporary differences.

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.

Deferred income tax assets and provisions for deferred income tax are measured with the use of such tax rates as are expected to be binding at the time of the capitalisation of such an asset or the release of such a provision, based on the tax rates (and tax laws) effective as at the balance sheet date or tax rates (and tax laws) that are to be certainly effective as at the balance sheet date.

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.

8.19.3.Value added tax

Revenues, costs, assets and liabilities are recognised less value added tax, except for the following:

- When the value added tax paid at the purchase of assets or services cannot be recovered from tax authorities; it is recognised respectively as part of the cost of such an asset or service;
- Receivables and liabilities that are disclosed with the value added tax.

A net amount of the value added tax to be recovered from or paid to tax authorities is recognised in the balance sheet as part of receivables or liabilities.

8.20. Earnings per share

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

Shares are included in the weighted average number of shares starting from the day in which the payment for shares becomes due (which usually corresponds to their issue date). The ordinary shares issued as part of payment made under a business combination are taken into account when calculating the average weighted number of shares at the business combination date. Ordinary shares that can be issued if certain conditions are met (contingently issuable shares) are treated as outstanding during the period and included in the calculation of earnings per share only when the contingency has been met. Outstanding ordinary shares that are contingently returnable (i.e. are subject to recall) are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date they are no longer subject to recall.

9. Standards and amendments to standards issued by the IASB

Except for the changes presented below, the accounting principles (policy) applied to these separate financial statements for the financial year ending on December 31, 2020 are consistent with those applied to the annual consolidated financial statements for the financial year ended December 31, 2019.

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

Amendments introduced independently by the Company

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

In accordance with IAS 8.22 "Retrospective application": an entity discloses comparative data for each period as if the amended accounting policy had always been applied, which means that the Company should apply the aforementioned amendments as of January 1, 2019. The Company decided against using the approach indicated in IAS 8.22 and applied the restatement as of July 1, 2019, per analogiam to the period in which the amendment was introduced in 2020. In the Company's opinion, such presentation allows to more reliably compare profit and loss account data for 2019 and 2020. The change introduced by the Company does not affect the Company's net result and equity, and only constitutes an adjustment in presentation among the elements of the Issuer's profit and loss account.

The Company has applied the amendment with the effect as of July 1, 2020 and changed the presentation of comparative data with the effect as of July 1, 2019. The change had the following impact on the comparative period:

- own cost of sales was increased by kPLN 2,666,
- costs of sale, marketing and distribution increased by kPLN 190,
- while general management and administrative costs decreased by kPLN 2,856.

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

In the period covered the financial statement for 12 months, which ended on December 31, 2020, there have been following amendments to accounting policies and financial statement preparation:

- **Amendment to IFRS 3 Business Combinations**

The amendment to IFRS 3 was published on October 22, 2018 and applies to annual periods beginning on or after January 1, 2020.

It was the purpose of the amendment to clarify the definition of a business and to allow to more easily distinguish acquisitions of "businesses" from groups of assets for merger accounting purposes. An optional "concentration test" was added to the standard, which simplifies the evaluation of whether acquired assets and measures constitute a business.

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

The amendments to IAS 1 and IAS 8 were published on October 31, 2018 and are applicable to annual periods beginning on or after January 1, 2020.

It was the purpose of the amendments to clarify the definition of "material" and make it easier to apply in practice.

- **Interest rate benchmark reform (benchmark rates) – Amendments to IFRS 9, IAS 39 and IFRS 7**

The amendments to IFRS 9, IAS 39 and IFRS 7 were published on September 26, 2019 and are applicable to annual periods beginning on or after January 1, 2020.

The amendments modify specific hedge accounting requirements in order to minimize (eliminate) the potential effects of uncertainty related to the reform of benchmark (interbank) interest rates. Moreover, entities will be required to make additional disclosures of those hedging relationships that are directly affected by the reform-related uncertainty.

Further, commencing from June 1, 2020, following the adoption by the European Commission in October 2020, the Company has applied the Amendment to IFRS 16 Leases: Related Rent Concessions. 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 permits to decide against recognizing lease modifications when e.g. changes in payments related to the Covid-19 pandemic took place.

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

9.1. Standards and interpretations issued by the IASB that are not yet effective at the balance-sheet date

In this financial statement, 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 concurrently). The standard replaces the previous regulations on insurance contracts (IFRS 4). On June 25, 2020, IFRS 4 was also amended to extend until January 1, 2023 the period when insurers are exempt from applying IFRS 9 Financial Instruments.

The Company will apply the new standard from January 1, 2023. As of the financial statement 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 current and non-current**

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 current. 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 amended standard from January 1, 2023. As of the financial statement 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 (Annual improvements)**

Amendments to these standards were published on May 14, 2020 and are applicable to annual periods beginning on or after January 1, 2022. The amendments include introducing a prohibition to reduce fixed assets production costs by revenues from the sale of test products generated in the process of creating/launching a fixed asset.

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform (benchmark rates) – Phase 2**

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 of September 2019. The amendments are applicable to annual periods beginning on or after January 1, 2021. 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, lease liabilities.

The Company will apply the amended standard from January 1, 2021. As of the financial statement preparation, it is impossible to reliably estimate the impact of application of the new standard.

- **Amendments to IAS 1 – Disclosure of Accounting Policies and IAS 8 – Definition of Accounting Estimates**

The 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 amended standard from January 1, 2023. As of the financial statement preparation, it is impossible to reliably estimate the impact of application of the new standard.

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 of the date when this financial statement has been approved for publication have not yet been adopted for application in EU countries:

- IFRS 17 Insurance Contracts, published on May 18, 2017, as amended on June 25, 2020,
- Amendment to IAS 1 Presentation of Financial Statements: Classification of liabilities as current and non-current, published on January 23, 2020, as amended on July 15, 2020,
- Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements to Standards 2018-2020, published on May 14, 2020,
- Amendments to IAS 1 – Disclosure of Accounting Policies and IAS 8 – Definition of Accounting Estimates published on February 12, 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 statement if they were applied by the Company at the balance-sheet date.

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

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

With reference to note 10 of the annual standalone financial statement of Trakcja Company for the financial year which ended December 31, 2020, note 62 of annual consolidated financial statement of Trakcja Group for the financial year which ended December 31, 2019, as well as note 10 of the consolidated quarterly report for nine months which ended September 30, 2020, the Management Board of the Parent Company provides the following update regarding the matters referred to in the aforementioned notes to the financial statements.

Going concern

These financial statements for the twelve-month period ended December 31, 2020 were prepared based on the going concern assumption and, therefore, do not contain any adjustments in respect of different policies for the recognition and measurement of assets and liabilities that would be required if the going concern assumption was unjustified.

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

Risk to the going concern status

In the period of 12 months ended on 31 December 2020, the Company recorded net loss of PLN 70,481 thousand, and the net negative working capital amounted to PLN 39,221 thousand.

As of December 31, 2020, the Company's financial liabilities on account of credits and loans, leases and bonds were kPLN 386,517 in total (long-term: kPLN 291,713, short-term: kPLN 94,804).

As of December 31, 2020, trade liabilities and other liabilities were kPLN 302,052, including trade liabilities and retained amounts being kPLN 252,922, of which past due in the amount of kPLN 121,940 are as far as possible being repaid by the Company from current receipts.

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 31 December 2020 was as follows:

• gross profit/loss on sales: PLN -20,456 thousand (in 2019 transformed: PLN -95,556 thousand)

• EBITDA: PLN -34,336 thousand (in 2019: PLN -120,785 thousand)

• net profit/loss: PLN -70,481 thousand (in 2019: PLN -249,678 thousand)

• equity: PLN 279,645 thousand (in 2019: PLN 349,925 thousand)

The Company's order backlog as at December 31, 2020 amounted to PLN 1,759 million, of which PLN 59.2 million were contracts signed in 2020. Moreover, the Company submitted the most advantageous bids in public tenders (pending until the date of publication of this report) for the total amount of PLN 711,2 million for the Company.

Implementation of projects optimizing the Company's activities

As long-term financing documentation has been signed in 2019, the Company committed itself to satisfy a number of follow-up conditions, inter alia, implementation of a recovery plan.

During 2020, the Company completed the implementation of Stage I and commenced Stage II of the Recovery Plan scheduled for 2020-21. The Recovery Plan provides that the Company is to take a number of measures (57 new initiatives) with a view of obtaining financial advantages by the Company, improvement of in-house procedures and optimization of its internal structure. Furthermore, in accordance with the financing documentation, the Company provides the credit agent (mBank S.A.) at least once a month with the Management's Board report on the implementation of the Recovery Plan, additionally verified by a consultant.

Continued negotiations on claims

In the period of 2020, the Management Board of the Parent Company undertook negotiations with PKP PLK to amicably settle court disputes. As at the date of publication of this report the value of contractual claims, claimed in court by Trakcja with consortium partners and subcontractors against PKP PLK, amounts to a total of PLN 158,6 million (gross amount including interest capitalized as at the date of filing the suit); the amount due to Trakcja is at approximately PLN 120,3 million.

The Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as part of mediations at the Arbitration Court by the General Prosecutor's Office of the Republic of Poland for the amount of PLN 139.2 million (the gross amount together with capitalized interest as of the date when the claim was filed), including for the amount due to Trakcja – about PLN 106.9 million. Detailed information has been provided in note 47 hereto.

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

At the present stage, the 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.

Solicited new significant contracts

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

In 2020, the Company has signed the following contracts:

a) On 2 April 2020 Trakcja signed a contract for the "Modernization of the 110/15/6 kv Śródmieście station in Łódź (value of contract – PLN 18,900,000.00, net) – terminated by PGE Dystrybucja S.A. in July 2020,

b) On 7 May 2020 signed a contract for the "Erection of the B. Chrobry bridges on the route of voivideship road no. 455 in Wrocław"; details have been provided in current report no. 17/2020 (value of contract – PLN 56,700,000.00, net).

The most advantageous bids submitted during public tenders in 2020:

a) „Reconstruction of railway line no. 7 - Warszawa Wschodnia - Wawer" (value of contract - PLN 422,400,000.00, net);
b) „Expansion of the Tram Line in Olsztyn" (the Company's share – PLN 163,900,000.00, net);
c) „Construction of the Tram Line in Bydgoszcz" (value of contract - PLN 124,900,000.00, net).

The payment of advances has been provided for under the contracts specified in (a) and (b). The advance for the „Reconstruction of railway line no. 7 - Warszawa Wschodnia - Wawer" contract amounts to PLN 42,200,000.00, net and for the „Expansion of the Tram Line in Olsztyn" contract – PLN 16,400,000.00, net, and it is renewable. The signing of the agreements for the performance of the foregoing contracts and solicitation of advances will have a favourable impact on the liquidity situation of the Parent Company.

Material agreements executed after the balance-sheet date:

On February 10, 2021, the Company executed a contract for "Extension of the traffic system accompanied by construction of a flyover above the railroad tracks in Skarżysko-Kamienna as part of: "Construction of an integrated transport system comprising the reconstruction of the existing traffic system accompanied by the construction of a structure serving as a crossing of the Warsaw-Cracow railroad line no. 8 and a connection between Osiedla Dolna Kamienna (Dolna Kamienna Housing Estate) with Osiedle Przydworcowe (Railway Station Housing Estate) in Skarżysko-Kamienna" (contract value – PLN 28.3 million net).

Active policy for the management of the Company's liquidity

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

As of December 31, 2020, Trakcja held cash and cash equivalents in the amount of kPLN 6,693 and unused credit lines in the amount of kPLN 26,325.

As of the day preceding that when the financial statement has been approved, the Company held cash in the amount of kPLN 6,452 and has unused credit lines in the amount of kPLN 2,350.

Based on the data and assumptions adopted at the time of publication hereof, a financing gap concerning the Company in the amount of approx. PLN 159-216 million was identified (the financing gap disclosed in the financial statement for 2019 was PLN 89 million). The financial gap increase resulted, inter alia, from the failure to meet the assumptions adopted in the previous model and delays in receipt of certain financial instruments. The Company emphasizes that the indicated value constitutes an estimate which is imprecise and subject to over time changes depending on assumptions regarding the occurrence of future events and is subject to a high risk of variability over time.

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

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

New sources of funding

In the course of 2020:

1. Trakcja continued to launch financial instruments under the executed credit agreements.

2. The subsidiary BTW sp. z. o.o. executed a lease back agreement pertaining to specialized machinery owned by the company, as a result of which it received cash in the amount of kPLN 15,000. BTW granted a loan to Trakcja in the amount of kPLN 11,000.

3. On May 7, 2020, an amendment to the unified Intercreditor Agreement of June 13, 2019, as amended (the "Intercreditor Agreement") was entered into by and between the Company, its subsidiaries and financial institutions. Pursuant to the amendment to the Intercreditor Agreement, the subsidiary Trakcja Ukraina sp. z

o.o. acceded as a party to the Intercreditor Agreement and, in addition, certain modifications were introduced to the provisions of the agreement in order to adapt the terms of cooperation between the parties in connection with the Company's planned issue of convertible bonds which were subscribed by COMSA S.A.U. ("COMSA Convertible Bonds"). Pursuant to the amendment to the Intercreditor Agreement, the claims on account of COMSA Convertible Bonds were subordinated to the repayment of financial liabilities resulting, in particular, from the Company's current funding and their repayment was prohibited prior to the full, final and unconditional repayment of all such liabilities, expiration of obligations of all creditors being parties to the Intercreditor Agreement to provide funds or issue guarantees under the relevant financing documents and expiry of all guarantees issued under the relevant financing documents. Simultaneously, the parties agreed that COMSA Convertible Bonds may, without the creditors' consent, be converted into shares of the Company regardless of the subordination, under the terms and conditions set out in the COMSA Convertible Bonds Terms of Issue. The above changes notwithstanding, no material provisions of the Intercreditor Agreement were amended.

4. On May 8, 2020, the Company issued 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 ("Series F Bonds") and 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 ("Series G Bonds").

On May 8, 2020, the Management Board of the Company adopted a resolution on allocating:

- all Series F Bonds at the issue price equal to the nominal price to Agencja Rozwoju Przemysłu S.A., and

- all Series G Bonds at the issue price equal to the nominal price to COMSA S.A.U. ("Comsa").

All Series F Bonds were paid up by wire transfer to the Company's bank account. The amount due from Comsa for accepting the offer to purchase the Series G Bonds was set off against Comsa's claim under the loan granted to the Company.

Additional information about the Series F Bonds and Series G Bonds has been provided in Item 16 of the Additional information and explanations to this financial statement.

On August 5, 2020, the Company obtained the consent of the bondholder, Agencja Rozwoju Przemysłu S.A., to amend the Series F Bonds Issue Terms, and executed the Amendment no. 1 to the Series F Bonds Issue Terms pertaining to the change of the interest payment date. The new interest payment date (interest period) will be 3 months. The other material Series F Bonds Issue Terms remained unchanged.

5. On June 1, 2020, Trakcja received an advance payment in the gross amount of kPLN 24,498 for the contract "Reconstruction of track systems with accompanying infrastructure on E59 railroad line, Choszczno - Stargard section within the project "Works on E59 railroad line, Choszczno – Stargard section".

6. Moreover, in the statement of comprehensive income the Company recognized dividends from subsidiaries in the amount of kPLN 2,042, whose payment was set-off against loans that these subsidiaries granted to Trakcja.

Risks related to the SARS CoV-2 pandemic

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

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

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

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

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

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

Events after the balance-sheet date impacting the Company's liquidity

Receipt of sales price for the real estate in Wroclaw

After the balance-sheet date, i.e. on March 3, 2021, the Company notified in its current report 6/2021 that it received payment for the sale of the real estate at ul. Lotnicza 100 in Wrocław in the total amount of kPLN 53,000, as follows:

- the Company received a part of the price in the amount of kPLN 2,250;

- a part of the price in the amount of kPLN 50,150 the buyer transferred by wire transfer to mBank S.A. bank account, in order to repay the Company's entire liability under the working capital facility (in the amount of PLN 50 million, including interest) secured by a joint contractual mortgage established on the sold real estate, which will allow to cross out the mortgage. The remaining amount, after the liability under the working capital facility has been repaid, would be transferred by mBank S.A. to the Company's bank account

Additionally, the Company will receive a part of the price in the amount of kPLN 600 after providing the buyer with a bank's statement granting unconditional consent for crossing out the mortgage established on the real estate.

Events expected to occur after the balance-sheet date

The Company is currently in the process of selling its non-operational assets. The Company is also planning to sell other non-operational assets, including the real estate at ul. Oliwska in Warsaw for the price of kPLN 18,000. The Company expects to receive an advance payment for the sale of the real estate at ul. Oliwska in Warsaw. The finalization date of the transaction, at the request of the business partner, has been postponed due to COVID-19 pandemic-related reasons. The Company expects the transaction to be finalized in the first half of 2021.

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

Risk of non-achievement of contractual financial indicators

Trakcja, pursuant to the Joint Terms Agreement of September 27, 2019, is required to comply with financial indicators ("Covenants") concerning the Company's current financial condition.

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

Risk of failure

The Management Board of the Company has prepared the financial statement on the assumption of going concern in a period of at least 12 months until the date when this statement has been approved for publication. The continuation of the Company's operations is depends on whether upon the financial gap can be covered successfully. Contingent failure to achieve the expected results of measures implemented in respect of additional financing and claims negotiations may constitute a threat to continued operations of Trakcja.

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

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

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

2. Conducting operational restructuring involving the sale of assets that are not used in the core operating activities, inter alia shares in subsidiaries, tangible fixed assets.
3. Limiting the scope of the Company's operations.

11. Selected financial data translated into EUR

The average PLN/EUR exchange rates in the period covered by the annual 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
31.12.2020	4.4742	4.2279	4.6330	4.6148
31.12.2019	4.3018	4.2406	4.3891	4.2585

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

Key items of the statement of financial position translated into EUR:

	31.12.2020		31.12.2019	
	kPLN	kEUR	kPLN	kEUR
Non-current assets	614 064	133 064	614 028	144 189
Current assets	520 523	112 794	614 433	144 284
TOTAL ASSETS	**1 134 587**	**245 858**	**1 228 461**	**288 473**
Equity	279 645	60 597	349 925	82 171
Long-term liabilities	294 482	63 813	204 242	47 961
Short-term liabilities	560 460	121 448	674 294	158 341
TOTAL EQUITY AND LIABILITIES	**1 134 587**	**245 858**	**1 228 461**	**288 473**

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 the income statement translated into EUR:

	Year ended 31.12.2020		Year ended 31.12.2019	
	kPLN	kEUR	kPLN	kEUR
Sales revenue	652 753	145 893	834 210	193 921
Cost of goods sold	(673 209)	(150 465)	(927 100)	(215 514)
Gross profit (loss) on sales	**(20 456)**	**(4 572)**	**(92 890)**	**(21 593)**
Operating profit (loss)	(54 557)	(12 194)	(141 209)	(32 826)
Gross profit (loss)	**(79 086)**	**(17 676)**	**(275 566)**	**(64 058)**
Net profit (loss) from continued operations	(70 481)	(15 753)	(249 678)	(58 040)
Net profit for the period	**(70 481)**	**(15 753)**	**(249 678)**	**(58 040)**

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 the statement of cash flows translated into EUR:

	Year ended 31.12.2020		Year ended 31.12.2019	
	kPLN	kEUR	kPLN	kEUR
Net cash flows from operating activities	(45 355)	(10 137)	(187 949)	(43 691)
Net cash flows from investment activities	3 802	850	(4 280)	(995)
Net cash flows from financial activities	732	164	178 292	41 446
Total net cash flows	**(40 821)**	**(9 123)**	**(13 937)**	**(3 240)**

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.

	31.12.2020		31.12.2019	
	kPLN	kEUR	kPLN	kEUR
Cash at start of period	47 514	11 157	61 451	14 430
Cash at end of period	**6 693**	**1 450**	**47 514**	**11 157**

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 31 December 2018 was PLN 4.3000/EUR.

12. Sales revenue

Sales revenue	Year ended 31.12.2020 Audited	Year ended 31.12.2019 Audited
Contracts	631 680	814 014
Other sales	21 073	20 196
Total	**652 753**	**834 210**

Cost of goods sold	Year ended 31.12.2020 Audited	Year ended 31.12.2019 Modified
Contracts	633 438	896 355
other costs	39 771	33 411
Total	**673 209**	**929 766**

Gross profit (loss) on sales	Year ended 31.12.2020 Audited	Year ended 31.12.2019 Modified
Contracts	(1 758)	(82 341)
Other	(18 698)	(13 215)
Total	**(20 456)**	**(95 556)**

In accordance with IFRS 15.114, the Company presents recognised revenue from contracts with customers by the following categories:

(figures in PLN '000, unless stated otherwise)

- main types of products and/or services;
- geographic region;
- customer type;
- duration of the contract.

Main types of products and services	**Year ended 31.12.2020 Audited**	**Year ended 31.12.2019 Audited**
Construction and assembly services	615 405	794 298
Design services	16 275	19 716
Equipment rental	6 153	6 782
Deliveries of products (switchgears, supporting structures, etc.)	13 144	10 221
Deliveries of goods and materials	1 548	1 920
Others	228	1 273
Total	**652 753**	**834 210**

Allocation of revenues by country	**Year ended 31.12.2020 Audited**	**Year ended 31.12.2019 Audited**
Poland	651 605	833 069
Hungary	-	304
Germany	1 148	836
Total	**652 753**	**834 210**

Allocation of revenues by recipients	**Year ended 31.12.2020 Audited**	**Year ended 31.12.2019 Audited**
General goverment	631 705	803 888
Private Sector	21 048	30 322
Total	**652 753**	**834 210**

Breakdown of sales revenues according to the duration of contracts, measured from the balance sheet date	**Year ended 31.12.2020 Audited**	**Year ended 31.12.2019 Audited**
Contracts to 12 months	299 039	549 224
Contracts over 12 months	353 714	284 986
Total	**652 753**	**834 210**

Revenue from PKP PLK S.A. account directly for approx. 78.4% of sales revenue in 2020 (2019: 76,7%).

Revenue earned by the Company is recognized in a single operating segment which is also a reporting segment.

The Company's Management Board 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 mln (gross amount along with interest capitalized as at the date of filing the statement of 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 ordering parties. The amount of court claims filed by the Company towards contracting entities, accounted for in long-term contract budgets, was adjusted by the risk factor and the probability factor. The amount of claims recoverable by the Company is between PLN 35 and 50 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 ordering party. In addition, the parent entity included revenues from any contractual claims in the measurement of a significant road contract.

(figures in PLN '000, unless stated otherwise)

In 2020, the Company recognized as sales revenue the amount of PLN 6.1 million as a result of recognizing in the budget of one of the contracts the revenue projected in connection with the planned implementation of an additional scope of works that have not been approved by the principal by means of an amendment to the agreement as of the balance-sheet date. The amount of PLN 6.1 million recognized as revenue in the profit and loss account for 2020 results from the state of contract completion (the total amount of revenue specified in the budget for this contract as a result of implementing an additional scope of works is PLN 45 million).

13. Operating expanses

Costs by type	Year ended 31.12.2020 Audited	31.12.2019 Modified
Depreciation	20 221	20 424
Consumption of materials and energy	204 395	247 771
External services	355 016	496 519
Taxes and charges	3 117	4 078
Payroll	122 173	118 649
Social security and other benefits	27 444	27 775
Other types of costs	28 362	26 099
Total costs by type	**760 728**	**941 315**
Change in inventories, products, accruals and provisions	(43 876)	29 809
The cost of producing products for the entity's own needs (negative value)	(11 218)	(7 216)
Sales, marketing and distribution costs (negative value)	(2 186)	(2 338)
General administrative expenses (negative value)	(31 985)	(33 712)
The cost of manufacturing products sold	**671 463**	**927 858**
Value of materials and goods sold	**1 746**	**1 908**
Cost of goods sold	**673 209**	**929 766**

Costs of remunerations and other employees benefits:	Year ended 31.12.2020 Audited	31.12.2019 Badane
Costs of payroll and employment termination benefits	119 594	111 567
Social security costs	23 308	23 175
Provisions for retirement pay and disability benefits	(61)	410
Provision for jubilee awards	219	647
Provision for unused leaves	2 421	(45)
Provision for bonuses	-	6 070
Employee benefits under Employee Pension Program	471	485
Other employee benefits	3 665	4 115
Total	**149 617**	**146 424**

(figures in PLN '000, unless stated otherwise)

The Company has established the Employee Capital Plan (PPK) for its employees. In consultation with the company union trade organisations, the Company selected the financial institution that is responsible for opening the PPK accounts for the employees. The PPK management agreement with PPK inPZU Specjalistyczny Fundusz Inwestycyjny Otwarty which is managed and represented by Towarzystwo Funduszy Inwestycyjnych PZU S.A. was signed on October 25, 2019, and the PPK operation agreement on November 12, 2019.

Contributions to PPK are calculated on the basis of a gross salary that is also the basis for calculating contributions to the retirement pension insurance. Basic payments made by the employer are 1.5% of the gross salary and basic payments made by an employee are 2% of the gross salary. Employees also receive a welcoming pay and an annual supplement from the state.

Any person who is of at least 18 but of not more than 55 years of age is included in PPK automatically, unless they submitted their resignation and after they have worked for 90 days. Employees older than 55 years old may access the programme at their own discretion.

At the Company's request, the Financial Supervision Authority decided to annul the Employee Pension Programme operated by the Company as at November 30, 2019.

Depreciation and amortization of fixed assets and intangible assets and impairment losses are recognised in the income statement:	**Year ended**	
	31.12.2020 Audited	**31.12.2019 Audited**
Items recognised in cost of goods sold		
Depreciation of fixed assets	18 886	17 173
Depreciation of intangible assets	361	792
Depreciation of investment properties	32	-
Total	**19 279**	**17 965**
Items recognised in cost of sales, marketing and distribution		
Depreciation of fixed assets	8	8
Total	**8**	**8**
Items recognised in general and administrative costs		
Depreciation of fixed assets	634	1 795
Depreciation of intangible assets	300	656
Total	**934**	**2 451**
Depreciation of fixed assets	19 528	18 976
Depreciation of intangible assets	661	1 448
Depreciation of investment properties	32	-
Total	**20 221**	**20 424**

(figures in PLN '000, unless stated otherwise)

14. Other operating revenue

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Profit on sale of non-financial non-current assets	1 046	1 644
Inventory surpluses	-	142
Received penalties and fines	132	441
Received donations	3	3
Valuation of investment properties	1 014	-
Redeemed liabilities	20	275
Revenue from patents and licenses	1 964	-
Other	1 009	941
Total	**5 188**	**3 446**

15. Other operating expenses

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Loss on disposal of non-financial fixed assets	171	1 574
Inventory shortages of stocks	66	-
Value of liquidated non-financial assets	432	1 906
Paid fines, compensation	478	5 295
Donations made	4	4
Paid costs of litigation	1 638	1 176
Write-down of the value of remaining sales	176	-
Valuation of investment property	-	28
Branch liquidation costs	-	252
Value of liquidated inventories	32	-
VAT not deductible	640	-
Other	1 481	2 814
Total	**5 118**	**13 049**

16. Finance income

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Financial revenues from interest, including:	328	688
- bank interest	102	207
- loan interest	216	131
- other	10	350
Income from received dividends	2 042	4 350
Profit from exchange rate differences	-	123
Other	243	1
Total	**2 613**	**5 162**

(figures in PLN '000, unless stated otherwise)

17. Finance costs

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Financial costs on account of interest, including:	19 032	13 915
- interest on loans and borrowings	11 078	7 104
- on liabilities	3 967	3 257
- on bonds	840	-
- on leasing	3 058	3 448
- on liability from employee benefits	63	88
- other	26	18
Write-off of investment value in subsidiaries	3 855	114 187
Foreign exchange loss	1 422	-
Provisions related to obtaining a guarantee	1	1 406
Revaluation write-offs on bonds	44	-
Financial commission costs	1 601	6 559
Other financial costs	1 187	3 452
Total	**27 142**	**139 519**

The impairment loss on investments in subsidiaries in the amount of PLN 3,855 thousand (2019: 114,187) was recognised in financial expenses in 2020. For more information, please see Note 24.

(figures in PLN '000, unless stated otherwise)

18. Income tax

18.1. Current income tax

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Gross profit	**(79 086)**	**(275 566)**
Differences between gross profit (loss) and income tax base (by title)		
- temporary differences, including:	**28 557**	**46 726**
depreciation and amortisation	199	321
revaluation write-offs	3 975	2 858
change in provisions	74	(2 568)
valuation of investment properties at fair value	(1 014)	-
construction contracts valuation	69 748	(18 211)
valuation of construction contracts	959	1 805
accrued interest	1 328	(242)
provision for losses on contracts	(41 877)	32 942
remuneration unpaid	12 587	2 984
non-tax costs relating to long-term contracts	(46 880)	36 416
non-tax revenue relating to long-term contracts	-	(6 811)
financial lease agreements	774	(1 468)
payment gridlocks	28 695	-
other	(11)	(1 300)
- permanent differences, including:	**23 272**	**139 247**
received dividends	(2 042)	(4 350)
contributions to PFRON (National Disabled Persons Rehabilitation Fund)	1 558	1 489
donations made	4	4
budget interest	150	1 695
insurance and membership fees	41	360
VAT difference	640	530
cost of disputed contracts	-	830
revaluation write-offs	24 820	118 108
debt financing costs	11 773	-
other	(13 672)	20 581
Taxable result including:	**(27 257)**	**(89 593)**
Company's tax income/(loss)	**(28 756)**	**(89 417)**
taxable income/(loss) of Bulgarian branch	**1 499**	**(176)**
Deductions from income	**(1 475)**	**-**
- tax loss from previous years	(1 475)	-
Income tax base	**24**	**-**
Income tax	**2**	**-**
Current income tax recognised (shown) in tax declaration for the period, including:	**2**	**-**
- recognised in income statement	2	-

(figures in PLN '000, unless stated otherwise)

Income tax in the income statement:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Current income tax:	**2**	**-**
- current income tax charge	2	-
Deferred tax:	**(8 607)**	**(25 888)**
- related to increase and decrease in temporary differences	(6 205)	(25 888)
- revaluation of deferred tax assets	(2 402)	-
Total	**(8 605)**	**(25 888)**

For the year ended 31 December 2020 and 31 December 2019, the Company did not recognise income tax on discontinued operations in the income statement.

Reconciliation of effective tax rate:

Reconciliation of corporate income tax on profit (loss) before tax computed at the statutory rate with corporate income tax computed at the Company's effective tax rate for the years ended 31 December 2020 and 31 December 2019 is presented in the following table:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Gross profit	**(79 086)**	**(275 566)**
Income tax at applicable income tax rate of 19%	(15 026)	(52 358)
Tax effect of the approach:		
Use of tax losses from previous years	(147)	6
Revaluation of deferred tax assets	2 402	259
Effects of different tax rates in foreign entities	(135)	-
Tax costs not constituting accounting costs	(3 301)	(3 121)
Non-tax revenues constituting accounting revenues	(3 704)	(1 033)
Non-tax costs constituting accounting costs	11 306	30 359
Income tax at effective tax rate of 11% (2019: 9%)	**(8 605)**	**(25 888)**

18.2. Income tax recognised in other comprehensive income

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Revaluation gains attributable to revaluation reserve		
Gross amount	-	1 572
Tax	-	(299)
Net amount	**-**	**1 273**
Foreign exchange differences on translation of foreign operations		
Gross amount	24	4
Tax	-	-
Net amount	**24**	**4**

(figures in PLN '000, unless stated otherwise)

18.3. Deferred income tax

Deferred tax assets:

Title of temporary differences:	1.01.2019 Audited	Increase / Decrease	31.12.2019 Audited	Increase / Decrease	31.12.2020 Audited
Provision for bonuses, for non-competition and compensation	716	26	742	(720)	22
Provision for the audit	32	(4)	28	(1)	27
Provision for correction works	1 211	(43)	1 168	10	1 178
Provision for losses on contracts	8 679	6 259	14 938	(7 957)	6 981
Provisions for retirement and pensions	291	3	294	(78)	216
Provision for jubilee awards	438	(219)	219	7	226
Provision for unused leaves	1 489	(273)	1 216	268	1 484
Valuation allowance for trade receivables	1 668	543	2 211	751	2 962
Valuation allowance for other current assets	24	-	24	-	24
Unrealized foreign exchange losses	1	1	2	222	224
Accrued interest on liabilities	259	368	627	720	1 347
Valuation of bonds	-	-	-	8	8
Interest on receivable write-offs	108	-	108	-	108
Non-tax costs related to ongoing long-term contracts	43 603	6 919	50 522	(6 179)	44 343
Surpus of invoiced revenues over actual revenues - valuation of long-term contracts	3 037	2 156	5 193	6 000	11 193
The positive difference between the balance sheet depreciation and the tax depreciation	48	(2)	46	5	51
Tax loss	10 281	16 722	27 003	3 122	30 125
Unpaid wages and unpaid social security contributions	442	567	1 009	2 382	3 391
payment gridlocks	-	-	-	5 452	5 452
Provision for costs	106	22	128	14	142
Others	954	37	991	2	993
Total deferred tax asset, including	**73 387**	**33 082**	**106 469**	**4 028**	**110 497**
influence on net profit	73 384	33 082	106 466	4 028	110 494
influence on equity	3	-	3	-	3

(figures in PLN '000, unless stated otherwise)

Deferren tax liabilities:

Title of temporary differences:	1.01.2019 Audited	Increase / Decrease	31.12.2019 Audited	Increase / Decrease	31.12.2020 Audited
Surplus of actual revenues over invoiced revenues - valuation of long-term contracts	26 566	5 616	32 182	(7 222)	24 960
Non-tax revenue relating to long-term contracts	12 165	1 294	13 459	2 728	16 187
The negative difference between the balance sheet depreciation and the tax depreciation	2 015	(63)	1 952	(123)	1 829
Unrealized foreign exchange profits	8	47	55	(31)	24
Interest accrued on deposits, on financial assets	156	25	181	25	206
The right to perpetual usufruct	370	242	612	-	612
Revaluation of fixed assets to fair value	586	(47)	539	-	539
Investment property fair value adjustment	2 224	91	2 315	192	2 507
Financial lease agreements	3 674	279	3 953	(147)	3 806
Other	61	(2)	59	3	62
Total deferred tax liability, including	**47 825**	**7 482**	**55 307**	**(4 575)**	**50 732**
influence on net profit	45 714	7 212	52 926	(4 577)	48 349
influence on equity	2 111	270	2 381	2	2 383

	31.12.2020 Audited	31.12.2019 Audited
Deferred tax asset	110 497	106 469
Provisions for deferred tax	50 732	55 307
Netting deferred tax assets and liabilities	(50 732)	(55 307)
Deferred tax asset	**59 765**	**51 162**

(figures in PLN '000, unless stated otherwise)

Please find below the periods when, in accordance with tax provisions, deferred income tax assets from tax losses must be recognized at the latest:

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	2 676	30 125

As at 31.12.2019	2020	2021	2022	2023	2024	Total
Assets due to deferred income tax on tax loss	-	4 622	9 445	8 880	4 056	**27 003**

As of December 31, 2020, the Company has not established deferred tax assets from tax losses in the amount of kPLN 2,342 (as of December 31, 2019: kPLN 0), considering the low probability of gaining taxable profit in the future from which these unused losses and tax reliefs could be deducted.

In accordance with the provisions of the Corporate Income Tax Act, not established or written off tassets on account of tax losses may be reconciled in the periods specified below:

As at 31.12.2020	2021	2022	2023	2024	2025	Total
The amount of not established/written down asset due to tax losses	-	2 228	-	57	57	**2 342**

19. Discontinued operations

No operations were discontinued in 2020 or 2019.

20. Earnings (loss) per share

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

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

- the impact of costs on account of bond interest after income tax

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The dilution of profit per share results from the issue of convertible bonds, as specified in detail in note 38 hereof.

	Year ended	
	31.12.2020 Audited	**31.12.2019 Audited**
Net profit (loss) from continued operations	(70 481)	(249 678)
Net profit (loss) for financial year	(70 481)	(249 678)
Net profit applied to calculate diluted earnings per share	(69 801)	(249 678)
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	54 472 550
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	97 021 247	54 472 550

(figures in PLN '000, unless stated otherwise)

	Year ended	
	31.12.2020	**31.12.2019**
Profit (loss) per 1 share (in PLN/share):	**Audited**	**Audited**
- basic	(0.82)	(4.58)
- diluted	(0.72)	(4.58)

	Year ended	
	31.12.2020	**31.12.2019**
Profit (loss) from continued operations per 1 share (in PLN/share):	**Audited**	**Audited**
- basic	(0.82)	(4.58)
- diluted	(0.72)	(4.58)

21. Property, plant and aquipment

Structure of fixed assets:

	31.12.2020 Audited	**31.12.2019 Audited**
Fixed assets, including:	158 790	166 877
- land (including right of perpetual usufruct)	17 051	16 740
- buildings, premises, civil and water engineering structures	41 437	39 660
- technical equipment and machines	45 300	49 689
- vehicles	53 315	58 695
- other fixed assets	1 687	2 093
Fixed assets under construction	156	728
Total	**158 946**	**167 605**

(figures in PLN '000, unless stated otherwise)

Movements in fixed assets:

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**

(figures in PLN '000, unless stated otherwise)

Year ended 31.12.2019 Audited	Land, buildings and structures	Machines and equipment	Vehicles	Total
Net book value at the beginning of the year	**16 874**	**53 166**	**66 183**	**170 144**
Increases - purchase	6 999	5 083	715	13 057
Other increases	11 098	8	-	11 106
Movements between groups	28 627	-	1 970	-
Sale	-	(3 001)	(161)	(3 188)
Liquidation	-	276	(2 777)	(2 557)
Depreciation	(5 221)	(5 839)	(7 235)	(18 976)
Other decreases	(1 977)	(4)	-	(1 981)
Net book value at the end of the year	**56 400**	**49 689**	**58 695**	**167 605**
As at 31.12.2019 Audited				
(Gross) cost or value from valuation	65 170	114 170	119 422	310 750
Depreciation and imparment write-offs	(8 770)	(64 481)	(60 727)	(143 145)
Net book value	**56 400**	**49 689**	**58 695**	**167 605**

Commencing from January 1, 2019, the Company has applied IFRS 16, which had the result of increasing the value of fixed assets in 2019 by kPLN 12,865, including the item „Other increases" in the column „Land, buildings and structures" by kPLN 8,737.

In the course of 2020, the Company – in line with IFRS 16 – recognized the lease of office space and land as well as machinery and equipment in the total amount of kPLN 8,457, of which kPLN 5,444 being the highest amount pertained to office space at Al. Jerozolimskie 100 in Warsaw – the new registered office of the Company commencing from February 24, 2020.

Ownership structure of fixed assets:

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**

(figures in PLN '000, unless stated otherwise)

As at 31.12.2019 Audited	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Own	45 070	12 942	14 728	2 093	728	75 561
Used on the basis of a rental, lease, or other contract, including leasing	11 330	36 747	43 967	-	-	92 044
Net book value	**56 400**	**49 689**	**58 695**	**2 093**	**728**	**167 605**

Table of movement of fixed assets used pursuant to rental, tenancy and other lease agreements:

As at 31.12.2020 Audited	Land, buildings and structures	Machines and equipment	Vehicles	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**

Based on the perpetual usufruct of land, the Company holds land classified as „Land, buildings and structures" having the value of kPLN 17,051 (31.12.2019: kPLN 16,741).

Information on property, plant and equipment pledged as collateral is presented in Note 49.

(figures in PLN '000, unless stated otherwise)

22. Investment property

	31.12.2020 Audited	31.12.2019 Audited
As at start of period (by type groups) - net value:	**19 789**	**17 613**
- land	16 253	14 049
- buildings, premises, civil and water engineering structures	3 536	3 564
Increases:	**4 684**	**2 236**
- land	4 684	2 236
- changes in accounting policies - MSSF 16	-	2 236
- revaluation in connection with the change of the perpetual usufruct fee for land	3 210	-
-revaluation based on an external valuation	1 474	-
Decreases:	**(492)**	**(60)**
- land	(131)	(32)
- revaluation	(99)	-
- other	(32)	(32)
- buildings, premises, civil and water engineering structures	(361)	(28)
- revaluation	(361)	(28)
As at end of period (by type groups) - net value:	**23 981**	**19 789**
- land	20 806	16 253
- buildings, premises, civil and water engineering structures	3 175	3 536

The Company recognises investment properties at fair value. Fair value of the Company's investment properties as at December 31, 2020 and December 31, 2019 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.

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.

(figures in PLN '000, unless stated otherwise)

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.

An effect of unobservable inputs on fair value of properties, depending on the measurement method adopted, is presented below.

	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
Office - buildings	Income approach	Capitalization rate (9,0%)	higher capitalization rate will decrease the fair value of real estate
		Operating expenses - 34 937,96 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

In 2020 the measurement method remained unchanged.

Fair value of the properties was estimated applying the most beneficial and the most advantageous use of the properties (the current use of such properties).

From January 1, 2019 the Company applies IFRS 16, which resulted in the value of the investment property being increased in 2019 by PLN 2,236 thousand. The revaluation carried out as at December 31, 2020 resulted in the value of the investment property being increased by PLN 3 210 thousand. This amount also increased the lease liabilities.

Details of the fair value hierarchy as at 31 December 2020 and 31 December 2019:

(figures in PLN '000, unless stated otherwise)

	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

	31.12.2019 Audited	Level 1	Level 2	Level 3
Investment real estate:	**19 789**	-	-	19 789
Office real estate:	19 789	-	-	19 789
- land	16 253	-	-	16 253
- buildings	3 536	-	-	3 536

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 from rentals and direct operating costs regarding the investment properties were as follows:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Rental income from investment property	144	175
Direct operating expenses from investment property that during the period generated rental income	(55)	(459)
Direct operating costs related to investment properties that did not generate rental income in a given period	(76)	-

See note 49 for information concerning collateral established on investment properties.

(figures in PLN '000, unless stated otherwise)

23. Intangible assets

Structure of intangible assets:

	31.12.2020 Audited	31.12.2019 Audited
Research and development costs	435	722
Goodwill	48 732	48 732
Acquired concessions, patents, licences and similar items of value, including:	1 773	497
- software	1 581	266
Intangible assets under construction	315	559
Total	**51 255**	**50 510**

Ownership structure of intangible assets:

	31.12.2020 Audited	31.12.2019 Audited
Proprietary	51 255	50 510
Total	**51 255**	**50 510**

Movements in intangible assets:

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**

(figures in PLN '000, unless stated otherwise)

Year ended 31.12.2019 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	**1 379**	**48 732**	**880**	**270**	**347**	**51 608**
Increases	-	-	149	-	212	361
Liquidation	-	-	(11)	-	-	(11)
Depreciation	(657)	-	(752)	(39)	-	(1 448)
Net book value at the end of the year	**722**	**48 732**	**266**	**231**	**559**	**50 510**
As at 31.12.2019 Audited						
(Gross) cost or value from valuation	6 867	48 732	6 791	390	559	63 339
Depreciation and impairment write-offs	(6 145)	-	(6 525)	(159)	-	(12 829)
Net book value	**722**	**48 732**	**266**	**231**	**559**	**50 510**

In 2020 and 2019, the Company did not recognise any material expenses in the income statement which were not capitalised in intangible assets as research and development expenses.

Determination of goodwill and goodwill impairment test

As at the balance sheet date, the Company's financial statements contain goodwill of PLN 48,732 thousand (31 December 2019: PLN 48,732 thousand), recognised under intangible assets. Goodwill was created as a result of the acquisition of and merger with PRK-7 S.A. in 2009 and PRKiI S.A. in 2013, and the acquisition of shares in PRK 7 Nieruchomości.

	31.12.2020 Audited	31.12.2019 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:

- growth rate in the residual period: 2% (31 December 2019: 2%);
- EBITDA margin: 3.3%–6.8% (31 December 2019: 3.4%–8.7%);
- after-tax discount rate: 7.7% (31 December 2019: 10.6%);
- pre-tax discount rate: 9.5% (31 December 2019: 12.6%).

The recoverable amount of the cash-generating unit was calculated using five-year projections of cash flows. The Management Board determined 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 not included in the cash flow projections.

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.

(figures in PLN '000, unless stated otherwise)

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	27 453	(27 453)
WACC	+/- 0,25 p.p.	(20 459)	22 296

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.

(figures in PLN '000, unless stated otherwise)

24. Investments in subsidiaries

As at 31.12.2020

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	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%
Bahn Technik Wrocław 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**		

(figures in PLN '000, unless stated otherwise)

As at 31.12.2019

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*	Kowno	construction and installation activities	subsidiary/full method	19.04.2011	364 109	240 506	96,84%	96,84%
PEUiM Sp. z o. o.	Białystok	construction and installation activities	subsidiary/full method	19.04.2011	29 466	29 466	99.70%	99.70%
Dalba Sp. z o.o.	Białystok	construction and installation activities	subsidiary/full method	19.04.2011	385	385	100.00%	100.00%
PDM Białystok S.A.	Białystok	construction and installation activities	subsidiary/full method	19.04.2011	204	204	94.62%	94.62%
Bahn Technik Wrocław 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**	**311 308**		

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

(figures in PLN '000, unless stated otherwise)

Investment impairment tests

Individual investments were tested for impairment as at 31 December 2020. 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.

Main assumptions adopted for investment impairment testing:

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 at 31.12.2019	**PRK7 Nieruchomości Sp. z o.o.**	**PEUiM Sp. z o.o.**	**AB Kauno Tiltai**	**BTW Sp. z o.o.**
WACC before taxation	12.5%	12.4%	11.3%	12.4%
WACC after taxation	10.6%	10.6%	10.0%	10.6%
EBITDA margin	1,4% - 4,8%	5,1% - 7,6%	3.5% - 7.2%	6,1% - 7,9%
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, 2020, a potential impairment loss was recognised in the amount of PLN 3,855 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 2019.

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.

Sensitivity analysis for the investment in PRK7 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%	810	(810)
WACC	+/- 0,25 p.p.	(1 280)	1 391

(figures in PLN '000, unless stated otherwise)

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%	1 547	(1 547)
WACC	+/- 0,25 p.p.	(1 433)	1 562

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%	13 181	(13 181)
WACC	+/- 0,25 p.p.	(14 146)	15 593

Sensitivity analysis for the investment in Bahn Technik Wrocław 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%	2 051	(2 051)
WACC	+/- 0,25 p.p.	(1 806)	1 969

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 (+);

(figures in PLN '000, unless stated otherwise)

- Weakening of the PLN against the EUR and the USD and potential exchange rate volatility (+ -);
- Potential increase in the risk of payment gridlocks or even insolvency of consortium members and subcontractors (-).

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

25. Jointly controlled operations – contracts performed in consortia

The Company performs certain long-term contracts under consortium agreements, as the consortium leader, without establishing separate entities. The Company recognises shares in such contracts as shares in joint operations in accordance with IFRS 11. Therefore, the Company does not recognize in the income statement the portion of revenue and expenses from such contracts attributable to consortium members.

Contracts performed by the Company as the consortium leader are presented in the table below.

The name of the contract	Country of contract	% Share of the company in the consortium	
		31.12.2020	31.12.2019
Modernization of the railway line E 30/C-E30 section Cracow – Rzeszów, stage III (Podłęże - Bochnia)	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%	57.1%
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	49.8%	49.9%
Design and reconstruction of the 110kV line from GPZ Radzyń-GPZ Łuków	Poland	15.9%	91.8%
Ełk Południe node - Wysokie node	Poland	51.9%	49.9%
Express Road S5 section 6 from the junction (Szubin-Jaroszewo)	Poland	65.5%	68.2%
E59 section Stargard - Szczecin Dąbie	Poland	61.6%	66.2%
Works related to the modernization of the 110/15 kV Maków Mazowiecki substation	Poland	finished	37.3%
Construction and expansion of the provincial road No. 676 with road engineering structures and the necessary technical infrastructure on the Białystok - Supraśl section with a bypass of Ogrodniczki and Krasne	Poland	finished	18.6%
Strengthening of the substrate of the LK9 Malbork railway embankment	Poland	finished	100.0%
Extension of the intersection of ul. Warszawska with ul. Kolska in Konin	Poland	finished	96.0%

The table below presents revenue and expenses attributable to the consortium members, regarding contracts performed under the aforementioned consortium agreements other than these recognised in the Company's income statement.

(figures in PLN '000, unless stated otherwise)

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Sales revenue	71 410	76 992
Cost of goods sold	(70 769)	(74 820)
Gross profit (loss) on sales	**641**	**2 172**

As at 31 December 2020, the Company's balance sheet did not include trade receivables attributable to consortium members of PLN 14,156 thousand (31 December 2019: 9,392 thousand) and trade liabilities attributable to consortium members of PLN 14,194 thousand (31 December 2019: PLN 9,572 thousand).

26. Other financial assets

	31.12.2020 Audited	31.12.2019 Audited
Assets valued at amortized cost		
Bank guarantees deposits	8 362	14 173
Loans granted and receivables	6 360	5 944
Total	**14 722**	**20 117**
including:		
- recognised as non-current assets	*6 241*	*8 340*
- recognised as current assets	*8 481*	*11 777*

Classification of loans granted with regard to credit risk is presented below:

	As at 31.12.2020		Ast at 01.01.2019	
	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	6 360	-	5 944	-
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	-	-	-	-

With respect to loans granted – they are granted to other Group members. The entity assesses their credit risk on the basis of their financial position and any arrears in payments of interest or principal. A significant increase in credit risk and the resulting transfer of receivables to Stage 2 takes place in the case of:

- arrears of at least 30 days, exceeding 1% of the exposure balance,
- change the terms of the extension agreement where such an extension is not compensated for by an appropriate change in the interest rate reflecting the extended lending period or where the terms of the extension contain preferences not available under normal circumstances,
- deterioration in the financial standing of the borrower, where such deterioration is analysed on a case by case basis, based on the financial information provided by the borrowers.

With respect to loans granted, the Company assumes that a default occurs in the event of arrears of at least 90 days with respect to interest or principal.

(figures in PLN '000, unless stated otherwise)

27. Accruals of costs and revenues

Structure of prepayments:

	31.12.2020 Audited	31.12.2019 Audited
Prepayments, including:	14 942	17 844
- insurance and insurance guarantees	10 525	13 556
- repair and maintenance of wagons, locomotives	4 417	4 288
Other prepayments and accruals	343	283
Total	**15 285**	**18 127**

Structure of the prepayments by maturity:

	31.12.2020 Audited	31.12.2019 Audited
Long-term	6 423	5 314
Short-term	8 862	12 813
Total	**15 285**	**18 127**

Structure of deferred income:

	31.12.2020 Audited	31.12.2019 Audited
Deferred revenue	716	455
Total	**716**	**455**

Age structure of deferred income:

	31.12.2020 Audited	31.12.2019 Audited
Short -term	716	455
Total	**716**	**455**

28. Inventories

	31.12.2020 Audited	31.12.2019 Audited
Materials	42 325	58 797
Semi-finished goods and products in progress	3 931	5 773
Finished goods	380	282
Merchandise	10	20
Total, gross inventory	**46 646**	**64 872**
Inventory revaluation write-offs	**(152)**	**(152)**
Materials	42 200	58 672
Semi-finished goods and products in progress	3 931	5 773
Finished goods	353	255
Merchandise	10	20
Total, net inventory	**46 494**	**64 720**

Costs of inventories recognised in operating expenses of the current period amounted to PLN 179,214 thousand (PLN 172,256 thousand in 2019).

(figures in PLN '000, unless stated otherwise)

There were no changes in the inventory write-off during the period.

The establishment and reversal of inventory impairment write-offs was recognized as "own cost of sales" in the profit and loss account. Inventory write-offs are conducted according to the principles specified in note 8.8 of the Additional information and explanations.

Collateral has been established on inventories, see note 49 hereof for details.

29. Trade and other receivables

Structure of trade and other receivables:

	31.12.2020 Audited	31.12.2019 Audited
Gross trade receivables, before discounting	289 396	272 257
Total, gross trade receivables	**289 396**	**272 257**
including:		
- receivables from related entities	*2 232*	*3 599*
Budgeted receivables	2	2
Receivables claimed in court	3 641	3 641
Other receivables from third parties	32 488	36 810
Receivables from sale of property	53 000	53 000
Amounts held	22 791	1 730
including:		
- receivables from related entities	-	*18*
Total, gross trade and other receivables	**401 318**	**367 440**
Expected credit loss	(93 463)	(70 113)
Total	**307 855**	**297 327**

Receivables from related parties are disclosed in Note 49.

In the calculation of the expected credit loss, the Company applies a practical simplification in accordance with IFRS 9 - lifetime expected credit losses on trade receivables are assessed in terms of "age table of past due receivables". Requirements:

- based on historical experience,
- determines fixed % of allowances,
- the tables differ depending on the historical experience of each customer group.

For trade receivables, the Company applies a portfolio approach whereby historical data on the ratio of uncollected receivables to total receivables that have reached a specified delinquency bracket for each risk category are analysed. The Company has defined the following brackets:

- paid on or before the due date,
- paid up to 30 days after the due date,
- paid 31-90 days after the due date,
- paid 91-180 days after the due date,
- paid 181-365 days after the due date,
- paid later than 365 days after the due date,
- unpaid.

(figures in PLN '000, unless stated otherwise)

For two 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.

Trade receivables and retentions:

	31.12.2020 Audited	31.12.2019 Audited
Net trade receivables	294 625	269 955
With maturity within 12 months	272 887	269 444
With maturity over 12 months	21 738	511
Total, net trade receivables after discounting	**294 625**	**269 955**

Receivables maturing in more than 12 months include mainly 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.

The maturity structure of total retentions is presented in the table below:

	31.12.2020 Audited	31.12.2019 Audited
Up to 12 months	1 105	1 271
Over 12 months	21 686	459
Total	**22 791**	**1 730**

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. As at the balance sheet date, receivables from PKP PLK S.A. account for 38% of the total receivables of Trakcja (31 December 2019: 35%).

Due to the short-term nature of trade receivables, their carrying amount approximates their fair value.

(figures in PLN '000, unless stated otherwise)

Change in expected credit loss on trade and other receivables in 2020 and Change in impairment loss on trade and other receivables in 2019:

	31.12.2020 Audited	31.12.2019 Audited
As at start of period	**70 113**	**66 996**
Revision IFRS 9	-	-
Increases	**25 838**	**11 434**
Establishment	25 838	11 434
Decreases	**(2 488)**	**(8 317)**
Use	(235)	(4)
Dissolution	(2 253)	(8 313)
As at end of period	**93 463**	**70 113**

Recognition and reversal of impairment losses on trade and other receivables are presented under cost of sales.

Trade receivables and retentions by maturity:

	31.12.2020 Audited	31.12.2019 Audited
Up to 1 month	132 055	143 705
From 1 month to 3 months	12 320	4 446
From 3 months to 6 months	2 671	112
From 6 months to 1 year	5	1
More than 1 year	21 738	509
Overdue receivables	125 836	121 182
Total, net trade receivables and amounts held	**294 625**	**269 955**

Structure of overdue trade receivables:

	31.12.2020 Audited	31.12.2019 Audited
Up to 1 month	70 226	17 604
From 1 month to 3 months	22 389	3 562
From 3 months to 6 months	4 356	58 191
From 6 months to 1 year	5 297	6 248
More than 1 year	90 275	81 695
Total, gross overdue trade receivables	**192 543**	**167 300**
Receivables revaluation write-offs	(66 707)	(46 118)
Total, net overdue trade receivables	**125 836**	**121 182**

Currency structure of trade and other receivables:

(figures in PLN '000, unless stated otherwise)

	31.12.2020 Audited	31.12.2019 Audited
In PLN	399 514	363 705
In foreign currencies - after conversion into PLN, including:	1 804	3 735
in EUR	988	2 985
in BGN	813	750
Others	3	-
Total	**401 318**	**367 440**

Receivables claimed in court:

	31.12.2020 Audited	31.12.2019 Audited
Receivables claimed in court	3 641	3 641
Revaluation write-offs on receivables claimed in court	(3 641)	(3 641)

30. Cash and cash equivalents

Cash at banks earns interest at floating rates linked to interest rates for overnight deposits.

Short-term deposits are placed for various periods, from one day to one month, depending on the Company's immediate cash requirement, and earn interest at negotiated interest rates.

Moreover, in accordance with the agreements signed as at 31 December 2020, the Company had undrawn overdraft facilities and revolving credits in the total amount of PLN 26,3 million (31 December 2019: PLN 29,3 million).

Currency structure of cash and cash equivalents:

	31.12.2020 Audited	31.12.2019 Audited
In PLN	6 677	47 459
In foreign currencies - after conversion into PLN, including:	16	55
in EUR	-	54
in USD	1	-
in DKK	-	1
in BGN	15	-
Total	**6 693**	**47 514**

The balance of cash and cash equivalents shown in the balance sheet and the statement of cash flows comprises the following items:

	31.12.2020 Audited	31.12.2019 Audited
Cash in hand	-	4
Cash at bank	6 693	22 414
Other cash - deposits	-	25 096
Cash and cash equivalents as at end of period	**6 693**	**47 514**

Cash in bank accounts according to the bank rating for long-term deposits:

(figures in PLN '000, unless stated otherwise)

	31.12.2020 Audited	31.12.2019 Audited
Bank rated AA-	2 280	-
Bank rated A+	-	27 591
Bank rated BBB+	32	4 575
Bank rated BBB	16	-
Bank rated BBB-	4 695	14 648
Total	**7 023**	**46 814**
Cash in hand	-	4
The bal ance of the Soci al Fund (Note 54)	(330)	696
Cash and cash equivalents as at end of period	**6 693**	**47 514**

Ratings assigned by first-class rating agencies (Fitch and S&P).

The rating was prepared on the basis of reputable rating agencies (firstly, it was based on Fitch Ratings, and then, in the case of no Fitch Ratings, the S&P rating was used).

31. Explanatory notes to the statement of cash flows

The difference between the receipts from the issue of bonds in the cash flows statement and the nominal value of bonds results from the fact that the amount due from Comsa S.A. for accepting the offer to purchase the Series G Bonds (kPLN 7,674) was set off against claim of Comsa S.A. under the loan granted to the Company.

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 31.12.2020 Audited
Balance sheet change in trade and other receivables	**(10 528)**
Adjustment regarding receivables from the sale of fixed assets included in investing activities	(1 574)
Change in the cash flow statement	**(12 102)**

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

32. Assets held for sale

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 at ul. Oliwska 11 in Warsaw for a net price not lower than PLN 14 million. For or details, see CR 23/2018 and CR 20/2018. The planned transaction meets the conditions for classification of fixed assets as held for sale specified in IFRS 5. Therefore, the Company recognised assets in the amount of PLN 5,037 thousand as non-current assets held for sale. Currently, work is underway to obtain the consents and permits that are necessary to carry out the sale of real estate. The finalization date of the transaction, at the request of the business partner, has been postponed due to COVID-19 pandemic-related reasons. The Company expects the transaction to be finalized in the first half of 2021.

(figures in PLN '000, unless stated otherwise)

33. Settlements under contracts with customers

	31.12.2020 Audited	31.12.2019 Audited
Contracts with customers assets	**137 101**	**175 245**
Surpus of revenues resulting from degree of advancement over invoiced revenues	131 369	169 380
Advances paid towards contracts being performed	5 732	5 865
Liabilities from contracts with customers	**111 097**	**126 455**
Surpus of invoiced revenues over revenues resulting from degree of advancement	58 910	27 333
Advances received towards contracts being performed	52 187	99 122

In the balance sheet, 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.

In the balance sheet, 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.

Contracts with customers assets

	31.12.2020 Audited	31.12.2019 Audited
Opening balance	**175 245**	**160 028**
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	86 726	145 556
(-) Invoicing	(124 870)	(130 339)
Closing balance	**137 101**	**175 245**

Liabilities from contracts with customers

	31.12.2020 Audited	31.12.2019 Audited
Opening balance	**126 455**	**129 229**
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	81 670	67 221
(-) Revenues recognized in the period included in balance of liabilities at the beginning of the period	(97 028)	(69 996)
Closing balance	**111 097**	**126 455**

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

(figures in PLN '000, unless stated otherwise)

Advances paid towards contracts being performed

	31.12.2020 Audited	31.12.2019 Audited
Opening balance	**5 865**	**20 205**
Increases: transfer of advances	4 385	2 123
Reductions: settlement of advances in the period	(4 518)	(16 463)
Closing balance	**5 732**	**5 865**

Advances received towards contracts being performed

	31.12.2020 Audited	31.12.2019 Audited
Opening balance	**99 123**	**113 247**
Increases (+): receipt of advances	22 759	39 888
Reductions (-): settlement of advances in the period	(69 695)	(54 013)
Closing balance	**52 187**	**99 122**

Transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period (except for any revenues allocated to consortium members):

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

31.12.2019	**1 year**	**1-3 years**	**more than 3 years**	**Total**
Trading price assigned to liabilities to discharge service met in:	997 927	1 297 319	-	2 295 246

Contract costs recognised as an asset

No items meeting the definition of contract costs recognised as an asset were identified. Therefore, no specific disclosures are required.

34. Capital risk management

The goal of the Company in managing the capital risk is maintaining the Group 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.

(figures in PLN '000, unless stated otherwise)

Financing structure ratios	31.12.2020 Audited	31.12.2019 Audited	Change
Equity to assets ratio	0.25	0.28	-0.03
Equity to non-current assets ratio	0.46	0.57	-0.11
Debt ratio	0.75	0.72	0.03
Debt to equity ratio	3.06	2.51	0.55

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
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 attributable to shareholders of parent entity

35. Equity

Share capital

As at December 31, 2020 the share capital was PLN 69,160,780.80 and was divided into 51,399,548 series A ordinary bearer shares and 10,279,909 series B ordinary bearer shares and also 24,771,519 series C registered shares with a par value of PLN 0.80 per share. Each share constitutes one vote at the General Meeting of Shareholders. All shares are fully paid-up.

	31.12.2020 Audited	31.12.2019 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**

On November 29, 2019, the District Court for the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register registered an increase in the Company's share capital. The share capital was increased pursuant to the resolution no. 5 of the Company's Extraordinary General Meeting of September 27, 2019 on increasing the share capital from PLN 41,119,638.40 to PLN 69,160,780.80, i.e. by PLN 28,041,142.40 by issuing 10,279,909 Series B bearer's shares, subscribed at the issue price of 1.70 per share, and 24,771,519 Series C registered shares, subscribed at an issue price of 1.70 per share.

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 under KRS, a conditional increase in the Company's share capital was entered into the commercial register. In relation to 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 16,279,110 series D ordinary bearer shares with a nominal value of PLN 0,80 per share. Series D shares may be subscribed by holders of convertible Series F and G bonds issued that the Company issued on May 8, 2020. Series D shares will be subscribed at PLN 1.70 each if the series F or G bonds are converted into shares of the Company.

To the knowledge of the Issuer's Management Board, based on notifications received pursuant to Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, the following are the Shareholders who, either directly or through their subsidiaries, hold at least 5% of the total number of votes at the General Meeting as of the approval date hereof:

(figures in PLN '000, unless stated otherwise)

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

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

From the date when the last interim report has been provided, i.e. November 26, 2020, till the publication date hereof, the Company has received no notifications in accordance with Article 69 of the Act on Public Offering.

Revaluation reserve

Revaluation reserve includes mainly remeasurement effects caused by a change in the purpose of non-current assets.

Other capital reserves

Other capital reserves include:

- Reserve capital was created from surplus resulting from the sale of shares above nominal value. As of December 31, 2019, this capital was kPLN 340,561 and was decreased to kPLN 269,641 pursuant to the resolution of the Ordinary General Meeting of the Company of June 30, 2020 on the coverage of a part of the Company's loss for 2019 in the amount of kPLN 70,920 from this part of equity.
- Previous years' profits – capital arising from profits generated in the preceding financial years. The Company is obliged to create a supplementary capital from at least 8% of the profit generated for a given financial year until it amounts to at least one third of share capital. Such capital is non-distributable.
- Actuarial gains (losses) – The Company recognises actuarial gains and losses on provisions for employee benefits in other comprehensive income and accumulates them in capital reserves. Such capital reserves are non-distributable.
- Equity component concerning bonds convertible to shares.

Undistributed profit or loss

The Company's undistributed profit or loss is the current profit or loss for a given financial year.

Foreign exchange differences from conversion of foreign currencies

In 2016 the Company opened an establishment in Bulgaria, whose functional currency is the Bulgarian lev (BGN). The Company translates the financial data of the establishment into the presentation currency (PLN). Any foreign currency differences arising from such a translation are recognised directly in equity as a separate item i.e. foreign exchange differences from conversion of foreign currencies

On April 24, 2020, the Management Board of Trakcja S.A. adopted a resolution on terminating the business operations of Trakcja S.A. plant in Bulgaria and on its liquidation as of June 1, 2020. By December 31, 2020, the Company completed the process of closing down the Trakcja S.A. plant in Bulgaria, therefore the accumulated exchange rate differences that were recognized as equity, concerning Trakcja S.A. plant in Bulgaria, were transferred from equity to the profit and loss account.

Exchange differences on translation as of the end of 2020 recognized in equity were kPLN 0 (2019: kPLN -24).

(figures in PLN '000, unless stated otherwise)

Other comprehensive income by component of equity

	Revaluation reserve	Exchange differences on translation of foreign branches	Total
1.01.2020 - 31.12.2020 Audited			
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**

	Revaluation reserve	Exchange differences on translation of foreign branches	Total
1.01.2019 - 31.12.2019 Audited			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	**1 273**	**-**	**1 273**
Revaluation gains charged to revaluation capital	1 273	-	1 273
Other comprehensive income that will be reclassified to profit or loss:	**-**	**4**	**4**
Foreign exchange differences on translation of foreign operations	-	4	4
Total other revenue	**1 273**	**4**	**1 277**

(figures in PLN '000, unless stated otherwise)

36. Provisions

	Provisions for correction works	Provisions for bonuses	Provisions for balance sheet audit	Provision for expected losses on contracts	Other provisions	Total
As at 1.01.2020 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)	(64 097)	(2)	**(69 192)**
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**

As at 1.01.2019 Audited	**6 372**	**3 763**	**168**	**45 681**	**546**	**56 530**
Recognised in profit and loss account:						
- provision creation	1 358	6 070	175	77 686	673	**85 962**
- release of unused provisions	-	(5 709)	-	-	(181)	**(5 890)**
- use of provisions	(1 582)	(221)	(197)	(44 748)	(311)	**(47 059)**
Total	**(224)**	**140**	**(22)**	**32 938**	**181**	**33 013**
As at 31.12.2019 Audited	**6 148**	**3 903**	**146**	**78 619**	**727**	**89 543**

(figures in PLN '000, unless stated otherwise)

37. Interest-bearing loans and borrowings

Long-term interest-bearing loans and borrowings:

	31.12.2020 Audited	31.12.2019 Audited
Bank loans	171 527	96 393
- investment loans	-	3 793
- overdraft facility	17 863	-
- working capital credit	153 664	92 600
Loans from related entities	45 056	42 873
Financial lease liabilities	47 298	60 643
Total	**263 881**	**199 909**

Short-term interest-bearing loans and borrowings:

	31.12.2020 Audited	31.12.2019 Audited
Bank loans	39 686	116 967
- working loans	3 793	5 059
- overdraft facility	4 519	19 447
- working capital credit	31 374	92 461
Loans from related entities	29 390	25 655
Loans from other entities	-	394
- project purpose loans	-	394
Financial lease liabilities	25 534	16 463
Total	**94 610**	**159 479**
Total short and long term loan and credits	**358 491**	**359 388**

Change in interest-bearing credits and loans in 2020:

As at 1.01.2020	**282 282**
Audited	
Loans received	40 002
Variations due to currency translation	(31 251)
Compensation with due title. acquisition of bonds	(7 674)
Used	11 492
Reversed	(10 498)
Foreign exchanges	1 306
As at 1.01.2020	**285 659**
Audited	
including	
- long-term	216 583
- short-term	69 076

(figures in PLN '000, unless stated otherwise)

The table below presents liabilities on account of loans and borrowings as at 31 December 2020:

Company name	Type of credit, loan	Value acc. to contracts	Currency	Payment date	Interest	Outstanding amount
Dalba sp. z o.o.	loan from related entities	1 000	PLN	28.02.2028	WIBOR 3M+margin	1 071
PDM S.A.	loan from related entities	2 500	PLN	28.02.2024	WIBOR 3M+margin	2 161
PEUiM sp. z o.o.	loan from related entities	2 500	PLN	28.02.2024	WIBOR 1M + margin	221
PEUiM sp. z o.o.	loan from related entities	2 000	PLN	28.02.2024	WIBOR 1M + margin	2 081
PEUiM sp. z o.o.	loan from related entities	2 000	PLN	28.02.2024	WIBOR 1M + margin	2 046
PEUiM sp. z o.o.	loan from related entities	3 000	PLN	28.02.2024	WIBOR 1M + margin	3 020
BTW sp. z o.o.	loan from related entities	8 000	PLN	15.03.2025	WIBOR 1M + margin	6 979
BTW sp. z o.o.	loan from related entities	3 000	PLN	15.02.2025	WIBOR 1M + margin	2 563
BTW sp. z o.o.	loan from related entities	2 000	PLN	28.02.2024	WIBOR 3M+margin	2 143
PRK 7 Nieruchomości sp. z o.o.	loan from related entities	1 500	PLN	13.01.2021	WIBOR 3M+margin	466
PRK 7 Nieruchomości sp. z o.o.	loan from related entities	3 000	PLN	28.02.2024	WIBOR 3M+margin	3 150
PRK 7 Nieruchomości sp. z o.o.	loan from related entities	3 500	PLN	24.02.2024	WIBOR 1M + margin	3 826
AB Kauno Tiltai	loan from related entities	3 500	EUR	01.01.2023	fixed interest rate	16 827
COMSA S.A.	loan from related entities	2 674	PLN	30.12.2021	WIBOR 1M + margin	82
COMSA S.A.	loan from related entities	5 000	PLN	30.12.2021	WIBOR 1M + margin	159
Agencja Rozwoju Przemysłu S.A.	loan from related entities	27 600	PLN	31.12.2022	WIBOR 1M + margin	27 651
De Lage Landen Leasing Polska S.A.	Investment loan	1 147	PLN	25.04.2020	variable interest	-
mBank S.A.	Working capital credit	15 000	PLN	31.12.2022	WIBOR 1M + margin	14 999
mBank S.A.	Working capital credit	15 000	PLN	31.12.2022	WIBOR 1M + margin	14 999
mBank S.A.	Overdraft	20 000	PLN	31.12.2022	WIBOR O/N + margin	2 959
Pekao S.A.	Overdraft	20 000	PLN	31.12.2022	WIBOR 1M + margin	19 423
mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	21 500	PLN	31.12.2022	WIBOR 1M + margin	21 537
mBank S.A.	Investment credit	21 500	PLN	16.09.2021	WIBOR 1M + margin	3 793
mBank S.A.	Working capital credit	50 000	PLN	31.12.2022	WIBOR 1M + margin	40 743
mBANK S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	Working capital credit	92 600	PLN	31.12.2022	WIBOR 1M + margin	92 760
						285 659

(figures in PLN '000, unless stated otherwise)

Currency structure of the Company's loans and borrowings:

	31.12.2020 Audited	31.12.2019 Audited
In PLN	341 664	336 459
In foreign currencies - after conversion into PLN, including:	16 827	22 929
in EUR	16 827	22 929
Total	**358 491**	**359 388**

Loans, borrowings and lease liabilities bear interest at interest rates based on the WIBOR rate and bank's margin.

As at 31 December 2020, the Company had at its disposal an overdraft facility and a working capital facility of up to PLN 26.3 million (31 December 2019: PLN 29.3 million).

After the balance-sheet date, i.e. on March 3, 2021, the Company notified in its current report 6/2021 that it received payment for the sale of the real estate at ul. Lotnicza 100 in Wrocław in the total amount of kPLN 53,000, of which the amount of kPLN 50,150 the buyer transferred by wire transfer to mBank S.A. bank account, in order to repay the Company's entire liability under the working capital facility (in the amount of PLN 50 million, including interest) secured by a joint contractual mortgage established on the sold real estate, which will allow to cross out the mortgage. The remaining amount, after the liability under the working capital facility has been repaid, was transferred by mBank S.A. to the Company's bank account.

The fair value of loans and borrowings does not differ materially from their carrying amounts.

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

As of December 31, 2020, the Company had no outstanding credits or loans. Also, the Company 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.

The long-term financing agreement, i.e. the „Joint Terms Agreement" entered into on September 27, 2019, reported by the Company in current report 51/2019, imposes on Trakcja the obligation to achieve and maintain specific financial indicators (hereinafter referred to as "Covenants") at the level of the Company and the Group. The agreement specified that the first verification of whether Trakcja and Trakcja Group fulfilled the Covenants would take place on September 30, 2020, further verifications to occur on a quarterly basis until September 30, 2022. The Company received permissions from financing entities to abandon testing the Covenants on September 30, 2020, December 31, 2020 and March 31, 2021. The next verification of the Covenants in accordance with the aforementioned long-term financing agreement is to take place on June 30, 2021.

As of the publication date hereof, it is the opinion of the Management Board of the Company that there is a risk that contractual financial indicators will not be achieved as of June 30, 2021. The Company is currently arranging with financing entities the new dates and values of financial indicators applicable to the Company as part of the second round of financing.

38. Bonds

On May 8, 2020, the Management Board of the Company adopted a resolution on:

- 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 Agencja Rozwoju Przemysłu S.A. ("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 mature on December 30, 2022. The Bonds may be subject to early redemption in cases provided for by 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. The Bonds were issued in accordance with Article 33(2) of the Bonds Act. The issue of bonds constitutes another element of long-term financing, as notified by the Company in the long-term financing report.

Bond series	Issue date	Redemption date	Nominal value of one bond (in PLN)	Nominal value of the series (in thousands PLN)
F	08.05.2020	30.12.2022	1.7	20 000
G	08.05.2020	30.12.2022	1.7	7 674

All Series F Bonds were paid up by wire transfer to the Company's bank account. The amount due from Comsa for accepting the offer to purchase the Series G Bonds was set off against Comsa's claim under the loan granted to the Company.

On August 5, 2020, the Company executed with ARP as the bondholder the Amendment no. 1 to the Series F Bonds Issue Terms pertaining to the change of the interest payment date. The new interest payment date (interest period) will be 3 months.

Structure of bonds:

	31.12.2020 Audited	31.12.2019 Audited
Long term	27 832	-
Short term	194	-
Total	**28 026**	**-**

As of the balance-sheet date of December 31, 2020, the Company recognized the bonds in the balance-sheet at amortized cost.

(figures in PLN '000, unless stated otherwise)

39. Employee benefit liabilities

Liabilities on account of provisions for unused holiday entitlements:

Provision for unused annual leave	**31.12.2020 Audited**	**31.12.2019 Audited**
Balance at the beginning of the period	**6 399**	**7 839**
Recognised in income statement:	**1 412**	**(1 440)**
- provision creation	4 851	777
- release of unused provision	(2 430)	(822)
- use of provision	(1 009)	(1 395)
Balance at the end of the period	**7 811**	**6 399**

Liabilities on account of provisions for old-age and disability retirement severance payments and length-of-service awards:

	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**

	Provision for pension benefits	**Provision for jubilee awards**
As at 01.01.2019 Audited	**1 530**	**2 306**
Total costs recognised in profit and loss account:		
- Interest costs	37	51
- Current service costs	392	762
- Past service costs	(19)	(166)
Benefits paid	(392)	(1 802)
Total	**18**	**(1 155)**
As at 31.12.2019 Audited	**1 548**	**1 151**

Employee benefit liabilities by maturity:

(figures in PLN '000, unless stated otherwise)

	Provision for pension benefits	Provision for jubilee awards
During 1 year	705	1 143
From 1 to 4 years	212	46
Over 4 years	221	-
Total	**1 138**	**1 189**

The weighted average term of post-employment benefit liabilities is 2 years.

Principles for recognising provisions for employee benefits:

The Company pays retirement benefits to retired employees pursuant to the applicable provisions of the Remuneration Rules. Therefore, based on valuation prepared based on actuarial methods, the Company recognises a provision for the present value of old-age retirement severance payments and length-of-service awards. Following the adoption of new remuneration rules on September 21, 2020, the provision for old-age and disability retirement benefits and length-of-service awards decreased.

To calculate the provision for old-age retirement severance payments and length-of-service awards as at December 31, 2020 and December 31, 2019, the Company assumed a discount rate of 2.25% and salary growth rate of 1.8%. The sensitivity analysis of employee benefit liabilities is presented in the table below:

Factor applied	Reasonably possible change of the factor	Liabilities due to employee benefits	
		increase	decrease
Discount rate	+/- 1 p. p.	(25)	28
Salary growth	+/- 1 p. p.	26	(24)

The present value of future employee benefit liabilities equals their carrying amount.

40. Trade and other liabilities

	31.12.2020 Audited	31.12.2019 Audited
Trade liabilities, before discounting	220 948	233 686
Total, net trade liabilities after discounting	**220 948**	**233 686**
including:		
- liabilities from related entities	4 331	2 137
Amounts held	31 974	31 388
Budgetary liabilities	39 452	22 564
Payroll liabilities	7 563	2 822
Other liabilities towards third parties	2 115	3 138
Total trade and other liabilities	**302 052**	**293 598**

Liabilities to related parties are disclosed in Note 50.

Maturity structure of trade liabilities and retentions:

(figures in PLN '000, unless stated otherwise)

	31.12.2020 Audited	31.12.2019 Audited
Trade liabilities before discounting	252 922	265 074
With maturity within 12 months	238 826	252 193
With maturity over 12 months	14 096	12 881
Total, Trade liabilities after discounting	**252 922**	**265 074**

Liabilities maturing in more than 12 months comprise retentions.

In 2020 and 2019, the Company decided not to present a discount on liabilities maturing in more than 12 months due to its immateriality.

Due to the short-term nature of trade liabilities, their carrying amount approximates their fair value.

Currency structure of trade and other liabilities:

	31.12.2020 Audited	31.12.2019 Audited
In PLN	300 776	292 295
In foreign currencies - after conversion into PLN, including:	1 276	1 303
in EUR	1 261	1 279
in BGN	15	24
Total	**302 052**	**293 598**

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.

(figures in PLN '000, unless stated otherwise)

41. Lease liabilities – the Company as a lessee

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

	31.12.2020 Audited	31.12.2019 Audited
Nominal value of minimum leasing fees		
from 0 to 90 days	4 900	4 781
from 90 to 360 days	23 201	15 556
Within 1 to 5 years	37 164	50 372
Over 5 years	34 719	25 466
Total financial lease liabilities - total minimum leasing fees	**99 984**	**96 176**
Financial costs on account of financial lease	**(27 152)**	**(19 070)**
Present value of minimum leasing fees		
from 0 to 90 days	4 129	4 080
from 90 to 360 days	21 405	12 383
Within 1 to 5 years	32 426	46 484
Over 5 years	14 872	14 159
Total present value of minimum leasing fees	**72 832**	**77 106**

Liabilities on account of perpetual usufruct rights to land were estimated based on the annual charges set forth in the most recent administrative decisions and resulting from the periods of use of the land.

The Company uses some of its manufacturing equipment under finance lease agreements. The Company may purchase the equipment leased for its nominal value at the end of the agreements.

42. Information on financial instruments

In the period covered by the annual financial statements and in the corresponding period, the Company held the following financial instruments:

- financial assets measured at amortised cost – cash and short-term deposits, trade and other receivables other than receivables from the State budget, short-term borrowings granted, bank guarantee deposits to secure guarantees granted to the Company by banks,
- financial liabilities measured at amortised cost – bank loans, lease and factoring liabilities, trade and other liabilities other than liabilities to the State budget.

(figures in PLN '000, unless stated otherwise)

As at 31.12.2020	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 current assets		
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**

As at 31.12.2019	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	8 340	-
Total	**8 340**	**-**
recognised as long-term liabilities		
Trade and other receivables (excluding budgetary)	297 325	-
Other financial assets	11 777	-
Cash and cash equivalents	47 514	-
Total	**356 616**	**-**
recognised as long-term liabilities		
Interest-bearing loans and borrowings	-	199 909
Total	**-**	**199 909**
recognised as short-term liabilities		
Interest-bearing loans and borrowings	-	159 479
Trade and other liabilities without budgetary liabilities	-	271 034
Total	**-**	**430 513**
Total	**364 956**	**630 422**

43. Fair value for financial instruments

Comparison of fair value and carrying amount:

(figures in PLN '000, unless stated otherwise)

Classes of financial instruments	As at 31.12.2020		As at 31.12.2019	
	Book value	Fair value	Book value	Fair value
Loans granted	6 360	6 360	5 944	5 944
Bank guarantees deposits	8 362	8 362	14 173	14 173
Trade and other receivables (excluding budgetary receivables)	307 853	307 853	297 325	297 325
Cash and cash equivalents	6 693	6 693	47 514	47 514
Interest-bearing loans and borrowings, financial lease liabilities	358 491	358 491	359 388	359 388
Trade and other liabilities (excluding budgetary liabilities)	262 600	262 600	271 034	271 034

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.

Both in the reporting period and in the comparable period no reallocations were made between Level 1 and Level 2, and none of the instruments was reallocated from Level 2 to Level 3.

44. Objectives and policies of financial 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, c) balance-sheet FX exposure resulting from assets and liabilities denominated in foreign currencies	a) and b) based on planned cash flows. c) based on analyses of balance-sheet items.	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.
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.	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.

(figures in PLN '000, unless stated otherwise)

		Cooperation mainly with crediting banks.	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, 2020, the Company held cash in the amount of BGN 16 thousand and USD 1 thousand (December 31, 2019: EUR 54 thousand and DKK 1 thousand), trade and other receivables in the amount of EUR 988 thousand and BGN 813 thousand (December 31, 2019: EUR 701 thousand, BGN 344 thousand) and liabilities in the amount of EUR 1,261 thousand and BGN 15 thousand (December 31, 2019: EUR 1,279 thousand, BGN 24 thousand).

Risk related to the increase in the portfolio of overdue receivables

As at the date of these annual financial statements, the Company monitors the level of overdue receivables. It cannot be ruled out that counterparties may not be able to settle their liabilities on time in the future, which may have a material adverse effect on the Company's financial position.

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 2019, see Note 37. In addition, the Company invests any surplus cash in interest-bearing 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 disclosed in the table include contractual undiscounted cash flows.

(figures in PLN '000, unless stated otherwise)

As at 31.12.2020 Audited	Up to 3 months	From 3 month to 12 months	Over 12 months
Interest-bearing loans and borrowings	1 984	67 092	216 583
Financial lease liabilities	4 129	21 405	47 298
Bonds	194	-	27 832
Trade payables and amounts held	211 025	26 650	15 246

As at 31.12.2019 Audited	Up to 3 months	From 3 month to 12 months	Over 12 months
Interest-bearing loans and borrowings	22 581	120 435	139 266
Financial lease liabilities	4 080	12 383	60 643
Trade payables and amounts held	232 599	19 594	12 881

Interest rate risk

As at December 31, 2020 and December 31, 2019, 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 Company are described in detail in Note 37.

An analysis of impact of the interest rate volatility on the Company's profit or loss as at December 31, 2020 and December 31, 2019 is presented on the following page. For the purpose of analysing the sensitivity to the interest rate fluctuations, such fluctuations were estimated as at December 31, 2019 and as at December 31, 2018 at the rationally expected level, i.e. +1/ -1 percentage point.

(figures in PLN '000, unless stated otherwise)

	Value at the balance sheet date	Sensitivity to changes as at December 31, 2020	
		+ 100 pb	- 100 pb
Trade receivables (present value)	289 396		
Trade payables (present value)	220 948		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	15 055	151	(151)
Loans and credit, leasing 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**

	Value at the balance sheet date	Sensitivity to changes as at December 31, 2019	
		+ 100 pb	- 100 pb
Trade receivables (present value)	272 257		
Trade payables (present value)	233 686		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	61 687	617	(617)
Loans and credit, leasing liability (nominal value/interest)	359 388	(3 594)	3 594
Gross impact on period result and net assets		**(2 977)**	**2 977**
Deferred tax		(566)	566
Total		**(2 411)**	**2 411**

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 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 Company's Management Board analyses the calculation of ratios and detailed information on disputed and unpaid amounts of individual receivables balances on a quarterly basis.

The Management Board applies a credit policy which requires continuous monitoring of the Company's credit risk exposure.

At each reporting date, the Company assesses whether credit risk of a given financial instrument has increased significantly since initial recognition: When making the assessment, the entity 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.

(figures in PLN '000, unless stated otherwise)

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 applies 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 Company's maximum exposure to credit risk (without collateral). As at the balance sheet date, receivables from PKP PLK S.A. account for 35% of the total receivables of the Company, therefore there is a significant concentration of credit risk.

For disclosures regarding overdue trade receivables and impairment losses on receivables, see Note 29.

All loans were granted to subsidiaries. The credit risk of such loans is limited as the Company controls the operations of its subsidiaries.

The Company cooperates with highly-rated financial institutions. 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	**31.12.2020**	**31.12.2019**
Loans to:	6 360	5 944
- subsidiaries	6 360	5 944
Trade receivables and other gross beyond budget:	401 316	367 438
- from unrelated parties	399 084	363 839
- from subsidiaries	2 232	3 599
Cash and cash equivalents	6 693	47 514
Deposits for the proper performance of the contract	8 362	14 173
Total	**422 731**	**435 069**

Objectives and policies of financial risk management

The Company manages its financial risk through the identification, monitoring and reporting of risk factors, which is to reduce the adverse impact of the currency risk factors on the Company's cash flows and performance. The Company measures derivative instruments at fair value. For recording purposes, the Company uses bank valuations.

45. 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.

(figures in PLN '000, unless stated otherwise)

	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

	31.12.2019 Audited	**Level 1**	**Level 2**	**Level 3**
Investment real estate:	**19 789**	-	-	19 789
Office real estate:	19 789	-	-	19 789
- land	16 253	-	-	16 253
- buildings	3 536	-	-	3 536

Assumptions used in determining fair values of investment properties are described in Note 22 of the Notes.

(figures in PLN '000, unless stated otherwise)

46. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	31.12.2020 Audited	31.12.2019 Audited
Contingent receivables		
From related entities due to:	**702 400**	**702 400**
Received guarantees and sureties	702 400	702 400
From other entities due to:	**59 601**	**62 109**
Received guarantees and sureties	58 918	60 818
Bills of exchange received as collateral	683	1 291
Total contingent receivables	**762 001**	**764 509**
Contingent liabilities		
From related entities due to:	**726 031**	**712 900**
Provided guarantees and sureties	702 400	702 400
Promissory notes	23 631	10 500
From other entities due to:	**10 764 809**	**8 380 829**
Provided guarantees and sureties	668 050	762 550
Promissory notes	549 923	516 402
Mortgages	5 658 168	4 197 672
Assignment of receivables	1 053 263	1 313 768
Assignment of rights under insurance policy	227 438	120 137
Security deposits	34 754	18 648
Other liabilities	2 573 213	1 451 652
Total contingent liabilities	**11 490 840**	**9 093 729**

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

As at December 31, 2020, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 706 thousand (31.12.2019: PLN 1,309 thousand) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Company, a contractual penalty in the amount equal to the PLN equivalent of EUR 25 000 for each failure and the amount equal to the PLN equivalent of EUR 1 000 for each day in which such a failure occurs or continues.

Contingent liabilities arising from employment contracts with employees were PLN 2,378 thousand as at December 31, 2020 (31.12.2019: PLN 519 thousand).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with much more developed tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which a given tax was paid. As a result of the inspections carried out any current tax settlements of the Company may be increased by additional tax liabilities. In the Company's opinion, provisions recognised as at the end of 2020 are sufficient to mitigate the recognised and measurable tax risk.

47. Significant disputes 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 claims against Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. w upadłości likwidacyjnej with its registered office in Warsaw

The Company merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja S.A. with its registered office in Warsaw. In connection with the announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. ("PNI") with an option of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. with its registered office in Wrocław provided a submission of claims of 20 November 2012 to the bankruptcy court. The submission covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the declaration of bankruptcy, as well as the accrued contractual penalties.

To the Company's best knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja S.A. were recognised in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 for unpaid invoices and PLN 294,632.29 for interest on late payment. The Company's receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were dismissed. The Parent Company did not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the Parent Company filed a complaint which was overruled. On 8 June 2015, the Parent Company received a notice from the trustee in bankruptcy on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

Case against Leonhard Weiss International GmbH

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 matter to court.

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

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

1) on PLN 7,500,000.00 from 17 November 2017 to the payment date,
2) on PLN 12,756,000.00 from 8 December 2017 to the payment date,
3) on PLN 295,495.00 from 8 December 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 the cost records. At this stage, it is impossible to objectively at least estimate the amount of interest and costs of the proceedings which could be ordered to be paid for the benefit of the Company.

Case against ELTRANS sp. z o.o.

On May 30, 2019 the Company filed a lawsuit against ELTRANS sp. z o.o. based in Chorzow for the payment of PLN 2,768,004 plus interest as the payment of remuneration for delivery, assembly and training on operating two oil-less turbochargers.

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

The proceedings concluded with a final judgment, whereby Trakcja was awarded the amount of PLN 2,768,003.20 with interest as requested in the claim. Trakcja acquired an enforcement clause, but due to the fact that Eltrans is undergoing restructuring, enforcement 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 556,683.00 plus interest as the payment of remuneration for construction works performed as a contractor within the scope of the project ordered by Tauron Dystrybucja S.A. entitled "Network Management Development in Wrocław". On November 17, 2020, a hearing was held before the District Court in Bydgoszcz. The hearing has been adjourned and no new date has been set. 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

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

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

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

Proceedings against PKP PLK S.A.

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

On October 31, 2017 the Company along with Przedsiębiorstwo Budowlane "FILAR" Spółka z ograniczoną odpowiedzialnością based in Wrocław, and Berger Bau Polska Spółka z ograniczoną odpowiedzialnością based in Wrocław, has filed a case against PKP PLK S.A. for reimbursement of additional costs related with the extension of the completion date of the Contract No. 90/116/0006/11/Z/I for basic linear construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of the Dolnośląskie Province within the scope of the project entitled "Modernisation of railway line E 59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of the Dolnośląskie Province". On March 29, 2018 the court action pending was expanded by the claims of one of the subcontractors (INFRAKOL sp. z o.o. sp. k.). The Company's portion of the claim is PLN 11,640,113.77 (including, interest of PLN 1,415,797.02). The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

a) additional works in connection with Contract No 90/132/121/00/17000031/10/I/I dated 16 December 2010 for the "Design and implementation of the construction works at the railway line Kraków – Medyka – national border, at the section Dębica – Sędziszów Małopolski (111.500 km – 133.600 km) under the project POIiŚ 7.1-30 "Modernisation of railway line E30/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.2" in the total amount of PLN 7,570,281.00,
b) additional works in connection with Contract No. 90/132/336/00/17000031/10/I/I dated 29 November 2010 for the "Design and implementation of the construction works at the railway line Kraków – Medyka – national border, at the section Sędziszów Małopolski – Rzeszów Zachodni under the project "Modernisation of railway line E3/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.3" in the total amount of PLN 2,829,000.00.

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

On 27 August 2018, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 6,675,193.36 PLN (in words: six million six hundred seventy five thousand one hundred ninety three zlotys and thirty six groszy) along with statutory interest for delay, as compensation for unjust enrichment of the defendant in the form of unpaid remuneration for the performance of additional works related to the implementation of Agreement No 90/132/121/00/17000031/10/I/I of 16 December 2010 for "Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section in km 111,500 - 133,600 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2 "specified in the Contractor's Applications No. 72 (gas pipeline) and No. 85 (Bystrzyca creek), which constitutes the principal amount of the present claim, i.e. PLN 6,283.547.59 and capitalized interest on the principal for the period from 6 October 2017 to 27 August 2018.The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 22 October 2018, the Company filed a lawsuit for payment against PKP PLK S.A., seeking the amount of PLN 632,459.66 (in words: six hundred thirty-two thousand four hundred fifty-nine zlotys and sixty-six grosz) along with statutory interest for delay, for additional works not provided for in the Agreement No 90/107/0086/17/Z/I of 14 March 2017 for the preparation of design documentation and performance of construction works on the Poznań Wschód - Mogilno section from km 0.265 to km 73.000, as a part of the project: "Works on the railway line No 353 Poznań Wschód-Dziarnowo", i.e. works on the construction of additional access ways to platforms at the Wydartowo station, additional suspension of the overhead contact line on the Wydartowo - Trzemeszno route and preparation of maps for design purposes, as well as incurring additional costs related to the unpredictable increase in prices of services provided by PKP Energetyka on the overhead contact line. On July 12, 2019 the Company increased the court action up to PLN 14,601,921.80, i.e. by the value of the additional services provided to PKP PLK S.A. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 29 November 2018, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 20,934,758.14 PLN (in words: twenty million nine hundred thirty-four thousand seven hundred fifty-eight zlotys and fourteen grosz) along with statutory interest for delay, as reimbursement for the costs of extension of the implementation of Agreement No 90/132/336/00/17000031/10/I/I of 29 November 2010 for "Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section in km 133.600 - 154.900 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2", due to circumstances within the scope of responsibility of PKP PLK S.A., both under the provisions of the Contract, as a public procurement contract, as well as general liability for damages specified in the provisions of the Civil Code. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 17 January 2019, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 12,296,388.86 PLN (in words: twelve million two hundred ninety-six thousand three hundred eighty-eight zloty and eighty-six grosz) along with statutory interest for delay, as reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0085/15/Z/I for "Continuation of upgrade work on Railway Line E59 (track and subgrade work and track infrastructure work) as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempiń–Poznań section" due to circumstances within the scope of responsibility of PKP PLK S.A. On July 12, 2019 the Company increased the court action up to PLN 14,601,921.80, i.e. by the value of the additional services provided to PKP PLK S.A. The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

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

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

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

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

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

Continued negotiations on claims

In the period of 2020, the Management Board of the Company carried on negotiations with PKP PLK in order to settle the court disputes in an amicable manner. As of the publication date hereof, the value of contractual claims pursued by Trakcja, its consortium partners and subcontractors in court against PKP PLK amounts to approximately PLN 158.6 million in total (the gross amount together with capitalized interest as of the date when the claim was filed), including the amount due to Trakcja being approximately PLN 120.3 million.

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

On August 5, 2020, there took place the first organizational meeting attended by representatives of the parties, the Mediator, and the Head of the Independent Arbitration Division of the Arbitration Court by the General Prosecutor's Office of the Republic of Poland. At the meeting, the parties arranged the schedule of additional measures to be taken, including submission of materials concerning court proceedings, provided that each party would submit its own pleadings. Further, information about the liabilities pursued as well as a brief description of the factual and legal circumstances of the disputes were provided. On August 27-28, 2020, Trakcja and PKP PLK S.A. held individual meetings with the Mediator.

In addition, on October 5, 2020, Trakcja S.A. entered into with PKP PLK S.A. an agreement on mediation in respect of foundation piling for the overhead lines developed by the Company, as part of contracts performed by the Company, with PKP PLK S.A. as the principal. After a summary of the mediated dispute has been submitted and following the consent of both parties to carry out the mediation with the involvement of a second mediator, there took place on November 12, 2020 an organizational meeting of the parties attended by representatives of the General Prosecutor's Office and Mediators approved by both parties. It was agreed that the mediation regarding the Company's claims against PKP PLK S.A. and the mediation regarding foundation piling for the overhead lines would be conducted in parallel.

Further mediation meetings were held in Q4 2020 and after the balance-sheet date, where the parties presented their proposals concerning settlement. On February 2, 2021, PKP PLK S.A. proposed to sign a preliminary agreement. Currently, the parties are drafting the preliminary agreement.

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

48. Dividends paid and declared

In 2020, a dividend was not paid by the Company.

On June 30, 2020, the Ordinary General Meeting of the Company adopted a resolution to cover the Company's loss for 2019 in the amount of PLN 249,678,732.87 from the supplementary capital, including:

- in the amount of PLN 178,758,684.16 from the part of the supplementary capital established from profit obtained in previous years,

- in the amount of PLN 70,920,048.71 from the part of supplementary capital established from the surplus obtained from the issue of shares above their nominal value.

49. 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: Bahn Technik Wrocław sp. z o.o. (100% of shares); PRK 7 Nieruchomości sp. z o.o. (100% of 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 connection with the foregoing, as of December 31, 2020, the total value of the Company's assets pledged as collateral at the balance-sheet value was kPLN 389,156 thousand, including:

- tangible fixed assets in the amount of kPLN 76,240, including land, buildings and structures in the amount of kPLN 44,595;
- investments in subsidiaries in the amount of kPLN 144,114;
- intangible assets in the amount of kPLN 2,523;
- investment property in the amount of kPLN 23,981;
- other financial assets in the amount of kPLN 14,722;
- inventories in the amount of kPLN 46,494;
- trade receivables and other receivables in the amount of kPLN 68,174;
- cash and cash equivalents in the amount of kPLN 6,677;
- fixed assets classified as held for sale in the amount of kPLN 5,037.

(figures in PLN '000, unless stated otherwise)

50. Related party disclosures

Total amounts of related-party transactions in the financial year were as follows:

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Other financial costs	Financial income due to dividends received
Shareholders:							
COMSA S.A.	1.01.20-31.12.20	-	-	-	535	12	-
	1.01.19-31.12.19	2	862	-	362	82	-
ARP S.A.	1.01.20-31.12.20	-	-	-	1 847	32	-
	1.01.19-31.12.19	-	-	-	319	286	-
Subsidiaries:							
PRK7 Nieruchomości Sp. z o.o.	1.01.20-31.12.20	21	1 325	6	300	-	733
	1.01.19-31.12.19	76	1 325	-	373	-	218
Torprojekt Sp. z o.o.	1.01.20-31.12.20	247	1 444	130	-	-	-
	1.01.19-31.12.19	311	2 474	22	-	-	418
AB Kauno Tiltai	1.01.20-31.12.20	-	-	-	267	-	-
	1.01.19-31.12.19	64	9	-	256	213	-
PEUiM Sp. z o.o.	1.01.20-31.12.20	4	-	-	175	-	1 309
	1.01.19-31.12.19	118	10	-	64	-	1 055
PDM S.A.	1.01.20-31.12.20	257	-	54	102	-	-
	1.01.19-31.12.19	1 968	-	73	67	-	-
Dalba Sp. z o.o.	1.01.20-31.12.20	2	-	26	46	-	-
	1.01.19-31.12.19	17	1 074	36	25	-	-
AB Kauno Tiltai Lenkijos skyrius	1.01.20-31.12.20	515	2	-	-	-	-
	1.01.19-31.12.19	1 022	-	-	-	-	-
BTW Sp. z o.o.	1.01.20-31.12.20	4 694	8 247	-	598	-	-
	1.01.19-31.12.19	5 715	6 115	-	51		2 659
Trakcja Ukraina Sp. z o.o.	1.01.20-31.12.20	-	-	-	-	-	-
	1.01.19-31.12.19	300	-	-	-	-	-
Trakcja Infra Sp. z o.o.	1.01.20-31.12.20	-	-	-	-	-	-
	1.01.19-31.12.19	272	-	-	-	-	-
Total	**1.01.20-31.12.20**	**5 740**	**11 018**	**216**	**3 870**	**44**	**2 042**
	1.01.19-31.12.19	**9 865**	**11 869**	**131**	**1 517**	**581**	**4 350**

(figures in PLN '000, unless stated otherwise)

Receivables from and liabilities to related parties as at the end of the financial year concerned were as follows:

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Liabilities for bonds	Loans granted	Borrowings received
Shareholders:						
COMSA S.A.	31.12.2020	-	88	7 930	-	241
	31.12.2019	-	188	-	-	7 656
ARP S.A.	31.12.2020	-	92	20 096	-	27 651
	31.12.2019	-	184	-	-	27 668
Subsidiaries:						
PRK7 Nieruchomości Sp. z o.o.	31.12.2020	295	186	-	6	7 443
	31.12.2019	51	559	-	-	10 961
Torprojekt Sp. z o.o.	31.12.2020	569	-	-	3 051	-
	31.12.2019	499	256	-	2 722	-
AB Kauno Tiltai	31.12.2020	112	231	-	-	16 827
	31.12.2019	112	318	-	-	15 273
PEUiM Sp. z o.o.	31.12.2020	-	8	-	-	7 368
	31.12.2019	-	13	-	-	1 502
PDM S.A.	31.12.2020	495	-	-	2 192	2 161
	31.12.2019	2 430	1	-	2 137	2 392
Dalba Sp. z o.o.	31.12.2020	79	-	-	1 111	1 071
	31.12.2019	37	1	-	1 085	1 025
AB Kauno Tiltai Lenkijos skyrius	31.12.2020	347	2	-	-	-
	31.12.2019	-	12	-	-	-
BTW Sp. z o.o.	31.12.2020	335	3 723	-	-	11 684
	31.12.2019	470	605	-	-	2 051
Trakcja Ukraina Sp. z o.o.	31.12.2020	-	-	-	-	-
	31.12.2019	-	-	-	-	-
Trakcja Infra Sp. z o.o.	31.12.2020	-	-	-	-	-
	31.12.2019	-	-	-	-	-
Total	**31.12.2020**	**2 232**	**4 330**	**28 026**	**6 360**	**74 446**
	31.12.2019	**3 599**	**2 137**	**-**	**5 944**	**68 528**

Related-party transactions are entered into on an arm's length basis.

No guaranties were granted to or by the Company. No costs of receivables that are doubtful and at risk, which are due in transactions with the related entities, were recognised in the reporting period.

(figures in PLN '000, unless stated otherwise)

The balance of loans granted to related entities on December 31, 2020 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	30.06.2021	WIBOR 1 M + margin	1 111	associated
PDM S.A.	2 000	PLN	31.12.2021	WIBOR 1 M + margin	2 192	associated
Torprojekt sp. z o.o.	1 900	PLN	30.06.2021	WIBOR 3 M + margin	2 006	associated
Torprojekt sp. z o.o.	300	PLN	30.06.2021	WIBOR 3 M + margin	315	associated
Torprojekt sp. z o.o.	300	PLN	30.06.2021	WIBOR 3 M + margin	315	associated
Torprojekt sp. z o.o.	200	PLN	01.07.2021	WIBOR 3 M + margin	205	associated
Torprojekt sp. z o.o.	200	PLN	30.06.2021	WIBOR 3 M + margin	210	associated
PRK 7 Nieruchomości sp. z o.o.	3 000	PLN	30.06.2020	WIBOR 3 M + margin	6	associated
	8 900				**6 360**	

Loans granted to subsidiaries are recognised in the short-term portion, under other financial assets.

51. Information on benefits for key personnel

Remuneration of the Company's senior management staff and members of supervisory bodies:

Remuneration of Management Board of Trakcja:

	Year ended	
Remuneration of the Management Board	**31.12.2020 Audited**	**31.12.2019 Audited**
Salaries and other current employee benefits	4 280	3 673
Post-employment benefits	-	996
Benefits due to termination of employment	-	1 273
Total	**4 280**	**5 942**

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 Capital Group and Trakcja S.A. in the financial year ended 31 December 2020.

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 2020 and 2019, Trakcja and the Company's management staff did not enter into any significant transactions. In 2019, no borrowings were granted to the Management Board members or Supervisory Board members of the Company.

(figures in PLN '000, unless stated otherwise)

As of 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	
Remuneration of the Supervisory Board of the Parent company	**31.12.2020 Audited**	**31.12.2019 Audited**
Salaries and other current employee benefits	1 104	1 032
Total	**1 104**	**1 032**

52. Significant events in the financial year and after the balance sheet date

Significant construction contracts	CR
The Management Board of Trakcja PRKiI S.A. informed that on May 4, 2020 it was notified about the conclusion of an agreement by the Issuer's subsidiary, AB Kauno tiltai with a state enterprise, Lithuanian Airports for the performance of construction works entitled "Construction works at the Vilnius airport". The total net value of the Agreement amounts to EUR 26,784,003.00 [PLN 122 086 842]. The works under this Agreement are to be performed within 17 months from the commencement of works.	12/2020
On May 7, 2020 Trakcja PrKiI S.A. informed that a bilateral signing of an agreement by Company and the Wroclaw Municipality, represented by Wrocławskie Inwestycje Sp. z o.o. for the performance of construction works included in the scope of the contract relating to the task entitled: "03940 – The construction of the B. Chrobry bridges within the route of the voivodeship road no. 455 in Wroclaw", The agreement's net value is PLN 56,732,013.61. The works are to be completed within 24 month from the date of signing the Agreement. The Issuer's Management Board decided to publish this notice because the performance of the aforementioned contract constitutes a significant step towards diversification of the Company's activity and its engagement in investments related with bridge construction.	17/2020
The Management Board of Trakcja PRKiI S.A. informed that on June 4, 2020 it became aware about the signing of an agreement between the Issuer's subsidiary, AB Kauno tiltai and the Management Board of the Municipality of the Klajpedy Town for the following construction works: "Reconstruction of the roundabout at the cross-section of Baltijos street, Silutes street, and Wilenska street, including the preparation of the design of the works". The total net value of the Agreement amounts to EUR 25 170 559.00 [PLN 111 623 878,00.] The works under this Agreement are to be performed within 30 months from the signing of the protocol of handing over the site.	20/2020

(figures in PLN '000, unless stated otherwise)

Refinancing process	**CR**
The Management Board of Trakcja PRKiI S.A. informed that on April 30, 2020 The Management Board of Trakcja PRKiI S.A. it has signed the Terms of Issue of F Series Shares and G Series Shares convertible to D Series Bonds, with the total nominal value of PLN 27,647,487, which were previously approved by a resolution of the Company's Management Board. the Management Board of the Company agreed to submit a proposal to purchase Series F and Series G Bonds.	11/2020
The Management Board of Trakcja PRKiI S.A. informed that on May 7, 2020 the Company signed an annex to the unified Agreement Between Creditors of 13 June 2019 as further amended ("Agreement Between Creditors") with the Company's subsidiaries and financing entities. Pursuant to the Annex to the Agreement Between Creditors, the company Trakcja Ukraina spółka z ograniczoną odpowiedzialnością – the Company's subsidiary – became a party to the Agreement Between Creditors; additionally, amendments were introduced to the Agreement to account for the rules of cooperation between the parties in connection with the planned issue of bonds convertible to the Company's shares.	13/2020
The Management Board of Trakcja PRKiI S.A. informed that on 8 May 2020 a resolution was adopted on assigning all 11 764 705 secured F series registered bonds, convertible to the Company's D series shares, with the nominal value of PLN 1.70 each and with the total value of PLN 19,999,998.50 to Agencja Rozwoju Przemysłu S.A. and assigning all 4 514 405 unsecured G series registered bonds convertible to the Company's D series shares, with the nominal value of PLN 1.70 each and with the total nominal value of PLN 7,674,488.50 to COMSA S.A.U based in Barcelona.	14/2020
On May 8, 2020 the Company received a notification pursuant to Article 19.1 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (MAR), presented by Comsa S.A.U. based in Barcelona as a person closely related with Fernando Perea Samarra, Miquel Llevat Vallespinosa and Jorge Miarnau Montserrat - members of the Company's Supervisory Board.	15/2020
On May 8, 2020 the Management Board of Trakcja PRKiI S.A. informed that it was presented by COMSA S.A.U. with a notification delivered pursuant to Article 69b of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, in connection with COMSA's subscription of the G series.	16/2020
On May 11, 2020 the Management Board of Trakcja PRKiI S.A. informed that it was presented by Agencja Rozwoju Przemysłu S.A. with a notification delivered pursuant to Article 69b of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, in connection with ARP's subscription of the F series.	18/2020
The Management Board of Trakcja S.A. in reference to the current report no. 14/2020 of 8 May 2020, informed that on 5 August 2020 the Company received consent of the bondholder, Agencja Rozwoju Przemysłu S.A., to amend the Terms and Conditions of the Issue of F-Series Bonds (exchangeable to D-Series Shares); simultaneously, Annex no 1 to the Terms and Conditions of the Issue of F-Series Bonds was signed in regard to the amendment of the interest payment date. The new interest payment date (interest period) shall be 3 months.	25/2020
The Management Board of Trakcja S.A. ("Company") Hereby informs that on 30 September 2020 the Company received consent of the Majority Financing Entities (as defined in the Common Terms Agreement of 27 September 2019) and Insurers to withdraw from testing financial indicators: the consolidated financial leverage, the individual financial leverage, and the individual and consolidated debt coverage indicators as at 30 September 2020. Initially, the Common Terms Agreements imposed an obligation on the Company to achieve and maintain defined financial indicators starting from 30 September 2020 and in subsequent periods defined in the Common Terms Agreements.	28/2020

(figures in PLN '000, unless stated otherwise)

Other	**CR**
10.01.2020 The Company made public dates of publication of periodic reports in 2020.	1/2020
14.01.2020 The Company made public the content of resolutions adopted by the Ordinary General Meeting of the Company, which was held on January 14, 2020.	2/2020
14.01.2020 The Company forwarded a list of shareholders holding at least 5% of the total number of votes at the Ordinary General Meeting of the Company, which was held on 14 January 2020 in Warsaw.	3/2020
10.02.2020 The Management Board of Trakcja PRKiI S.A. informed that the District Court for the Capital City of Warsaw in Warsaw, 12th Business Division of the National Court Register ("Court") has registered the conditional increase of the Company's share capital as well as changes to the Company's Articles of Association.	4/2020
24.02.2020 The Management Board of Trakcja PRKiI S.A. informed about change of Company's address	5/2020
27.02.2020 The Company published the preliminary estimated financial results for the period of 12 months ended on 31 December 2019.	6/2020
17.03.2020 In connection with the recommendations of the Polish Financial Supervision Authority and own analysis, the Management Board of Trakcja PRKiI S.A. informed that the rapid spread of the SARS CoV-2 virus in Poland and on other markets where the Company and its subsidiaries conducts business may affect the Company's and the Group's financial situation.	7/2020
18.03.2020 The Company has decided to recognize write-off of the value of investments in subsidiaries in Trakcja PRKiI's balance sheet in the amount of PLN 114.187 thousand and the value of goodwill in Trakcja Group's consolidated balance sheet in the amount of PLN 138.182 thousand.	8/2020
06.04.2020 The Company informed that in account of the existing COVID-19 epidemic in Poland and worldwide, aiming at reducing the negative impact of the present situation on the Company's operations and results.	9/2020
22.04.2020 The Management Board of Trakcja PRKiI S.A. announces the adjustment of the published 2019 Annual Report of Trakcja PRKiI S.A. and the Trakcja Group's published 2019 Consolidated Annual Report.	10/2020
03.06. 2020 Management Board of Trakcja PRKiI S.A. informed on convening the General Meeting of Shareholders The Management Board of Trakcja PRKiI S.A. as at 30.06.2020	19/2020
The Management Board of Trakcja PRKiI S.A. informed that on 8 June 2020 they have received a request to include the following items to the agenda of the Company' General meeting, from the Shareholder, Otwarty Fundusz Emerytalny PZU "Złota Jesień", represented by Powszechne Towarzystwo Emerytalne PZU Spółka Akcyjna that it has received a request to put specific matters on the agenda of the next Annual General Meeting of the Company convened for June 30, 2020.	21/2020
30.06.2020 The Management Board of Trakcja PRKiI S.A. announces the resolutions undertaken by the Company's Ordinary Shareholders Meeting, which was held on 30 June 2020.	22/2020
30.06.2020 The Management Board of PRKiI S.A. in Warsaw presented in Appendix 1 to this report a list of shareholders holding at least 5% of the total number of voting rights at the Ordinary General Meeting held on 30 June 2020 in Warsaw.	23/2020
The Management Board of Trakcja S.A. informed that the Company was notified that on 29 July 2020 the District Court for the Capital City of Warsaw in Warsaw, 12th Business Division of the National Court RegIster, has registered the amendment to the Statute, adopted pursuant to resolution no. 25 of the Ordinary Shareholders Meeting of Trakcja PRKiI S.A. of 30 June 2020 on the change of the Company's name from "Trakcja PRKiI Spółka Akcyjna" to "Trakcja Spółka Akcyjna".	24/2020

(figures in PLN '000, unless stated otherwise)

In reference to current reports no's 7/2020 and 9/2020 that activities undertaken to eliminate the adverse impact of the current situation on the Company's operations and results with simultaneous maintenance of jobs included the adoption of new Remuneration Regulations in Trakcja S.A. As of 21 September 2020 in cooperation with trade unions operating in the Company. The new Remuneration Regulations include a change of the system of payments of jubilee awards and retirement benefits, payment of allowances for employees, monthly bonuses for blue collars and bonuses for white collars.	26/2020
The Management Board of Trakcja S.A. in Warsaw ("Company") based on Article. 16 of the Act of August 30, 2019 amending the Act - Commercial Companies Code and Certain Other Acts (Journal of Laws of 2019, item 1798) calls on all shareholders to submit registered share documents to the Company in order to dematerialize them.	27/2020
25.09.2020 The Management Board of Trakcja S.A. based on Article. 16 of the Act of August 30, 2019 amending the Act - Commercial Companies Code and Certain Other Acts (Journal of Laws of 2019, item 1798) calls on all shareholders to submit registered share documents to the Company in order to dematerialize them (second call).	29/2020
23.10.2020 the Company completed the process of cyclical reviews of long-term contracts and collection of financial data for the purpose of preparation of the Company's individual financial statements for the 9 months ended on 30 September 2020. Therefore, the Company announces the initial estimated results for 9 months of 2020: Sales revenues: PLN 483,756 thousand, Gross result on sales: PLN 976 thousand EBITDA: PLN -8,357 thousand, Net profit/loss: PLN -31,766 thousand. These items have not changed significantly compared to the data published in this report.	30/2020
25.09.2020 The Management Board of Trakcja S.A. based on Article. 16 of the Act of August 30, 2019 amending the Act - Commercial Companies Code and Certain Other Acts (Journal of Laws of 2019, item 1798) calls on all shareholders to submit registered share documents to the Company in order to dematerialize them (third call).	31/2020
The Management Board of Trakcja S.A. in Warsaw ("Company") based on Article. 16 of the Act of August 30, 2019 amending the Act - Commercial Companies Code and Certain Other Acts (Journal of Laws of 2019, item 1798) calls on all shareholders to submit registered share documents to the Company in order to dematerialize them.	32/2020
The Management Board of Trakcja S.A. in Warsaw ("Company") based on Article. 16 of the Act of August 30, 2019 amending the Act - Commercial Companies Code and Certain Other Acts (Journal of Laws of 2019, item 1798) calls on all shareholders to submit registered share documents to the Company in order to dematerialize them.	33/2020

Events after the balance-sheet date

After the balance sheet date and until the date of preparation of these financial statements, i.e. until 15 April 2021, no events occurred which have not but should have been disclosed in the accounting books for the financial year.

(figures in PLN '000, unless stated otherwise)

Significant construction contracts	**CR**
Management Board of Trakcja S.A. ("Company", "Issuer") informs that today the Company and the Skarżysko-Kamienna Poviat, on behalf and for the benefit of which the County Roads Management Board in Skarżysko-Kamienna acts, mutually signed a contract for the execution of construction works necessary to implement the project entitled Extension of the transportation system along with construction of a an overpass over the railway tracks in Skarżysko-Kamienna 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« ("Work"). The Work will include construction of an overpass over the railway tracks and extension of the transportation system to the extent specified in the contract.The net value of the contract is PLN 28,281,151.47. The Work is to be completed by 31.12.2022. Other terms of the contract do not differ from those commonly used for this type of contracts.	4/2021
Management Board of Trakcja S.A. ("Company", "Issuer") announces that today it has become aware of the fact that on 16 February 2021 a contract was signed between the Issuer's subsidiary, Kauno Tiltai Sverige AB (with its registered office in Sweden), and the Skellefteå City Council ("Employer") for the execution of the following construction works: "New wooden bridge over the Skellefteälven River" ("Contract").The subject of the Agreement is the construction of a new bridge for pedestrian, bicycle and vehicular traffic. The contract covers all the work, including delivery and installation in accordance with the tender documentation.Total net value of the Contract amounts to SEK 202,847,706 (PLN 90,733,778.89 - according to the exchange rate as of the day of signing the contract). The work being the subject of the Contract is to be completed by 31.08.2023.	5/2021
The Management Board of Trakcja S.A. hereby informs that it has become aware today of the bilateral signing of Annexes and Agreements of a similar nature as the basic contract (jointly the "Annexes") 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". ("Agreement"). The total net value of the Annexes concluded on 8 April 2021 shall amount to PLN 15,964,381.26 , net, and the share of Torprojekt Sp. z o.o shall amount to PLN 12,270,223.44, net. The work is to be completed by 25 June 2029. The total net value of the Annexes in question and of the Agreement shall amount to PLN 40,008,188.26, and the share of Torprojekt Sp. z o.o shall amount to PLN 31,034,030.44, net.	8/2021

(figures in PLN '000, unless stated otherwise)

Other	CR
The Management Board of Trakcja PRKiI S.A. ("Company") hereby informs that today the Company received a notification pursuant to Article 19.1 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (MAR), presented by Comsa S.A.U. based in Barcelona as a person closely related with Fernando Perea Samarra, Miquel Llevat Vallespinosa and Jorge Miarnau Montserrat - members of the Company's Supervisory Board.	1/2021
The Management Board of Trakcja S.A. ("Company") hereby announces dates of publication of periodic reports in 2021:	2/2021
The Management Board of Trakcja S.A. ("Company") hereby informs that on 22 January 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 announces 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
Management Board of Trakcja S.A. (the "Company") hereby informs that the sales price for the Property has been paid today, which has taken place in the following manner a part of the price in the amount of PLN 2,250,000.00 (two million two hundred fifty thousand) was received by the Company,a part of the price in the amount of PLN 50,150,000.00 (fifty million one hundred fifty thousand) was transferred by the buyer, that is, Lotnicza 100 spółka z o.o. (the "Buyer") by wire transfer to the account of mBank S.A. (the "Bank") 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 (the "Mortgage");	6/2021
The Management Board of Trakcja S.A. ("Company") hereby informs that the Company has decided to create a revaluation write-down for "Investments in subsidiaries" within the framework of the Company's standalone balance sheet in the amount of PLN 3,855,000.00 and a revaluation write-down for "Goodwill from consolidation" within the framework of the Trakcja Group consolidated balance sheet in the amount of PLN 38,735,000.00. Furthermore, the Company has provided preliminary estimated financial results of the Trakcja Group for the 12 months ending on 31 December 2020	7/2021

Impact of the SARS CoV-2 (COVID-19) pandemic on the activities and financial condition of the Company

The rapid spread of the SARS CoV-2 virus in Poland and on other markets, on which the Company and its subsidiaries carry out its business activities may have an impact on the Company's financial performance in 2020.

As at the date hereof, the Management Board expects that the actual pandemic state in Poland which results, in particular, in:

- Transport being limited and delivery of components and raw materials being irregular,
- Availability and efficiency of subcontractors being reduced,
- Administrative decisions on the construction contracts implemented being delayed,
- The progress in works experiencing a slowdown due to the introduction of emergency measures in accordance with the guidelines issued by the Ministry of Health and the Chief Sanitary Inspector, and due to the increased absence of employees,
- Costs of certain services, in particular, transport of materials and raw materials, being increased, the completion by the Group of contracts, under which the Group companies act as contractors or

subcontractors, may be delayed and as a consequence translate into a risk that the contracting parties may file claims for contractual penalties to be paid by the Group companies for untimely completion of contracts. The aforementioned factor may also result in an extraordinary increase in prices for materials and services being experienced, which in turn shall result in the profitability of contracts being reduced. Furthermore, the COVID-19 pandemic may contribute to a decrease in the number of infrastructural investment projects being scheduled for the following years.

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

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

Measures taken by the Company's Management Board

The state of pandemic that was introduced, government restrictions in force since March 20, 2020 and concerns about how the situation would develop and its impact on the operation of the Company forced to implement changes in the work organization. Taking into account the health and safety of employees as well as in order to maintain the continuity of the Company's operations, the Management Board established an operating procedure regarding SARS CoV-2-related risks. On April 6, 2020, the Management Board entered into an agreement with trade unions, pursuant to which, starting from April 6, 2020, the working time was reduced by 10%, and the salary of employees paid on a monthly basis was reduced proportionally. The aforementioned reduction in working time pertained mainly to white-collar workers, which simultaneously allowed to preserve the potential for contract implementation. The ten percent reduction in salaries also applied to members of the Management Board, the Supervisory Board, as well as freelancers and contractors. In addition, it was decided to, inter alia, temporarily suspend the payment of bonuses and awards, allowances as well as retirement and pension severance, to limit overtime work and to introduce restrictions related to the use of company cars. Moreover, contributions to the company's social benefit fund was reduced by 25%. The agreement was in force on a temporary basis till June 30, 2020. On September 21, 2020, the Management Board in consultation with the trade unions operating in the Company adopted new Remuneration Regulations of Trakcja S.A. The new Remuneration Regulations introduced changes to the payment system of jubilee awards and retirement severance, payment of bonuses for employees, monthly bonuses for blue-collar workers and bonuses for white-collar workers. Moreover, the adopted Remuneration Regulations specified that the granting of bonuses for white-collar workers would be linked with the Company's profitability. Additionally, the Company, in accordance with the recommendations of the Chief Sanitary Inspectorate, introduced adjustments to the working space, permitted remote work, secured disinfection measures and direct protection measures for employees.

Due to the increasingly more severe pandemic-related situation in the country, the Company, by way of the decision of the President of the Management Board, introduced orange alert as of November 5, 2020. The restrictions resulting from the alert pertain to: limiting office work to a maximum of one person on duty per department; establishing a procedure in the case of persons who notified the Company of a household member being quarantined, notification about any illness of an employee, sending an employee to quarantine or isolation. Additional restrictions were implemented for field offices so as to avoid eliminating the majority of contract staff. Moreover, the Company appointed the Crisis Management Team and developed instructions concerning preventive measures in order to counteract the spread of COVID-19 on the premises of Trakcja. The Company finalized the purchase of tests for the Company and the contract for office disinfection.

In addition, the 2020 SARS CoV-2 pandemic indirectly affected the Group's operations, inter alia, through:

- longer duration of acceptance procedures, which resulted in postponement of sales and the resulting financial flows;
- temporary disruption in the supply of certain goods and reduced availability of subcontractor services, particularly those employing foreign workers;
- deterioration in trading conditions, in particular in respect of payment terms, required advance payments and, to a limited extent, prices.

In the reporting period, the Company attempted to mitigate the disruptions that occurred by employing other available subcontractors and performing works using its own resources. The Company seeks alternative sources of supply and enters into commercial negotiations in order to obtain satisfactory terms and conditions.

The Management Board of the Company is monitoring the situation on an ongoing basis and analyses the possible impact of the pandemic on the Company's operations, results and prospects, including whether it is necessary to change contract measurements and liquidity ratios of the Company. Simultaneously, it cannot be rules out that the circumstances referred to above may have a detrimental impact on the Company's operations, its financial position, results, prospects as well as on the share price in the subsequent periods. As of the publication date hereof, the SARS CoV-2 pandemic in its current condition has not had a material impact on the Company's strategic orientation and operational objectives and its financial position. However, the Company has detected a substantial increase in SARS CoV-2 infections among employees and an increase in the number of quarantined or isolated employees since October 2020. The Management Board of the Company is monitoring the situation on an ongoing basis and analyses the possible impact of the pandemic on the Company's operations, results and prospects, including whether it is necessary to change contract measurements and liquidity ratios of the Company.

The Covid-19 pandemic may affect the future measurement of the Company's assets, including the results of impairment tests in respect of investments in subsidiaries. For the possible effects of the pandemic on the results of the tests, see note 24 hereof.

Should the pandemic have a significant impact of on the Company's financial position and property situation, the Management Board of Trakcja will notify stakeholders by means of a relevant statement.

53. 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 financial statements did not exceed 100%, and therefore the financial statements did not have to be restated using the consumer price index.

54. Headcount

Average headcount at the Company was as follows:

(figures in PLN '000, unless stated otherwise)

	Year ended	
	31.12.2020	**31.12.2019**
	Audited	**Audited**
Management Board of Parent entity	6	5
Administration	195	150
Sales department	5	6
Production division	997	1 047
Total	**1 203**	**1 208**

As at the balance sheet date, the headcount at the Company was as follows:

	31.12.2020	**31.12.2019**
	Audited	**Audited**
Management Board of Parent entity	6	6
Administration	182	156
Sales department	5	5
Production division	973	1 044
Total	**1 166**	**1 211**

55. Assets and liabilities of the company social benefits fund (ZFŚS)

The Act on Company Social Benefits Fund of 4 March 1994, as amended, stipulates that each employer with more than 20 full-time employees is obliged to create and make contributions to a social benefits fund. The Company maintains such a fund and makes periodic contributions to the fund at minimum statutorily required amounts. The purpose of the fund is to subsidize the Company's social activities, loans granted to its employees and other social costs. The Company set off the fund's assets against its liabilities towards the fund, as the fund's assets do not represent a separate category of assets.

The table below presents analytic data on the fund's assets, liabilities and expenses, as well as net balance of the fund's offset assets and liabilities.

	31.12.2020	**31.12.2019**
	Audited	**Audited**
Loans granted to employees	171	449
Cash	1 226	1 324
Liabilities attributable to the Fund	(1 727)	(1 077)
Balance after compensation	**(330)**	**696**
Contributions to the fund during the financial period	**1 467**	**1 641**

56. 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 Company is BDO spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw at ul. Postępu 12.

On August 21, 2019 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, 2019 in accordance with the International Accounting Standards,
- the audit of the separate and consolidated annual financial statements as at December 31, 2019 in accordance with the International Accounting Standards,

(figures in PLN '000, unless stated otherwise)

- the examination of the separate and consolidated half-yearly financial statements as at June 30, 2020 in accordance with the International Accounting Standards,
- the audit of the separate and consolidated annual financial statements as at December 31, 2020 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	
	31.12.2020 Audited	**31.12.2019 Audited**
On account of agreement for financial statement audit	130	140
On account of agreement for financial statement review	70	97
Other certified services	40	-
Total	**240**	**237**

Remuneration for the audit of accounts of selected Trakcja Group companies is paid under separate agreements between the auditor and each of the Trakcja Group companies.

Warsaw, April 15, 2021

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

Person in charge of keeping the accounting books:

Elżbieta Okuła

Chief Accountant