

Dear Sir or Madam,

Please find enclosed the Consolidated Annual Report of Trakcja Group for 2020.

The past year was a great challenge for our Group. On the one hand, it was marked by effects of the global COVID-19 virus pandemic, and on the other hand, it was a time of intensive work for Trakcja Group entities. Implementation of the first stage of the restructuring process and improvement of the Group's financial situation is a result of this effort. In the restructuring process, we have been supported by experts of ARP Restrukturyzacje Sp. o.o. from the Industrial Development Agency S.A. (ARP) group.

The wide-ranging recovery plan included the organisational restructuring and the updating and optimisation of procedures and processes throughout the Company. We divided this qualitative leap into 94 key initiatives, of which we completed 59. Effects of their completion are noticeable and measurable, particularly in performance improvement and cost reduction.

Among the implemented initiatives, it is worth mentioning the harmonisation of the remuneration system, the digitalisation of business processes, costs reduction at every level of Company's operations, fleet optimisation and improvements in working time recording and settlement. We have raised our standards in many areas by optimising and systematising key processes in our companies, we have gained the ability to effectively analyse costs and assess performance, while raising our standards in many areas.

A significant achievement of the past year was the completion of the first round of financing, which included the issue of shares, bonds and raising new debt financing. Due to the pandemic situation, the entire construction industry has a high-risk status, which means that access to bidding instruments, performance bonds or advance payment guarantees is difficult. This results in a limited possibility to gain more projects and drive our production. The Parent Company is currently discussing a second round of financing with financial institutions and key shareholders.

The Company has maintained a satisfactory level of securing new contracts within the well diversified order backlog, which confirmed the validity of the strategic assumptions regarding the Company's development directions. We have completed the execution of some of the most risk-bearing contracts, while difficult orders still account for approximately 30% of the portfolio value, which will be visible in the financial results of Trakcja S.A.

The advanced restructuring process, well worked year and good business decisions create a solid foundation for further operations of the Company. Business development, carried out on the basis of optimized processes, using the effects of diversification and assuming positive completion of the second round of financing, may provide conditions for further development of the Company.

*On behalf of Trakcja
Marcin Lewandowski
President
of the Management Board*