

MANAGEMENT REPORT
ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP AND TRAKCJA S.A.
IN 2020



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

We change the vision into reality

This Management Report on the activities of Trakcja Capital Group and Trakcja S.A. was prepared pursuant to § 70(1)(4), § 70(1)(6), § 70(1)(7) and § 71(1)(4), § 71(1)(6), § 71(1)(7) of the Minister of Finance's Regulation of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, item 757, with later change).

Pursuant to the provisions of § 71(8) of the aforementioned Regulation, the aforementioned Statements have been prepared as a single document.

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The figures presented in this Management Report on the activities of Trakcja Capital Group and Trakcja S.A. are presented in thousands of Polish zlotys, except for the items clearly indicated otherwise. Financial information contained in this report is derived from the consolidated and separate financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") endorsed by the European Union, issued and effective as at 31 December 2020. We would also like to emphasise forward-looking statements (e.g. may, will, expect, consider, estimate), because they are based on certain assumptions subject to risk and uncertainty. Therefore, the Trakcja Group and Company are not responsible for such information.

1. STRUCTURE OF TRAKCJA CAPITAL GROUP

1.1. General information on the Group

Trakcja Group ("Trakcja Group" or "Group") is one of the leading entities on the Polish and Lithuanian rail, tram and road infrastructure construction market.

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

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

The Group's core strengths are:

- the possibility of comprehensive implementation of investments with its own capacity in all industries (track works, engineering structures, overhead lines),
- owned portfolio of orders,
- highly qualified management and customer-oriented staff,
- extensive experience in professional performance and coordination of works carried out in a timely manner, according to the highest European standards,
- a modern machine park.

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

The Parent Company holds a concession for trade of liquid fuels, is a railway undertaking holding an license to provide freight transport and traction services granted for an indefinite period of time, and part A and B safety certificate.

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

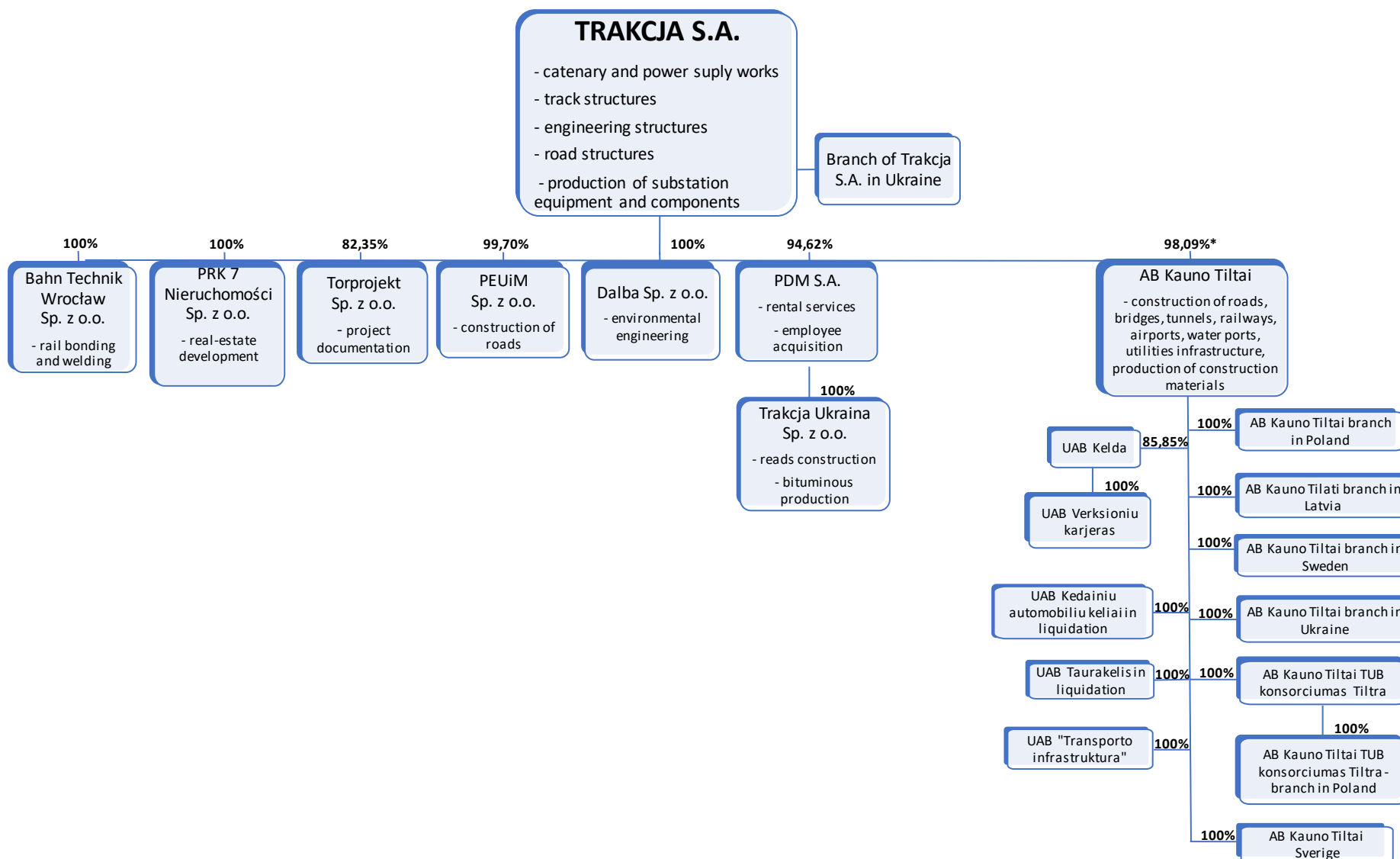
The majority of the projects implemented by the Group are financed, in particular, with funds granted by European Union and Polish government. Their implementation requires the EU procedures to be strictly complied with, which has also an effect on the quality of the services provided and products manufactured.

The Group has a bituminous mass production plant that manufactures for the purposes of the contracts implemented and is a reliable source of materials for external customers.

In addition, the Group constructs traction substations for tram, trolleybus and rail lines, and also track section cabins, which are equipped with switching stations manufactured internally.

1.2. Structure of the Group

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

1.3. Structure of Trakcja Group, including entities subject to consolidation

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

Fully-consolidated entities:

PRK 7 Nieruchomości sp. z o.o.

PRK 7 Nieruchomości Sp. z o.o. 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. The company has been carrying out construction works – cubature works.

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.

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.

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.

The company 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.

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 Verkšionių karjeras – a subsidiary with its registered office in Bagotelių K (Lithuania);
- UAB Taurakelis in liquidation – a subsidiary with its registered office in Tauragė (Lithuania);
- UAB Kedainių Automobilių Keliai in liquidation – a subsidiary with its registered office in Kėdainiai (Lithuania);
- TUB Konsorciūmas 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 konsorciūmas Tiltra – branch in Poland
- UAB “Transporto infrastruktūra” – a subsidiary with its registered office in Vilnius (Lithuania).

Establishment of Trakcja S.A. in Ukraine

In 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.

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.

1.4. Changes in the Group's structure in 2020 and their consequences

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 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 PRKił 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.

1.5. Changes in the key principles for managing the Company and the Group

2020 marks Trakcja's completion of Stage I of Recovery Plan initiatives and commencement of Stage II. During the second wave of Recovery Plan initiatives, 51 initiatives became operational. 6 initiatives were transferred from Stage I for further implementation. The programme presently includes 57 initiatives. All initiatives have been divided into three types: savings (15), supporting (39) and sales (3). All initiatives are being implemented.

Furthermore, the Parent Company adopted a new organizational chart and a number of in-house procedures in 2020. New IT solutions have been introduced in business processes, i.e. Webcon, Enova 365. A number of processes have been transferred into electronic flow, which, especially during the pandemic and remote work, entails more efficient operation of the Company. New solutions have significantly smoothened existing processes, which allows optimization of work and more efficient use of human capital.

In the course of 2020, the Parent Company continued to implement the CSR strategy based on responsible leadership and management, social engagement, dialogue with stakeholders and social innovation. Through its activities, the Issuer endeavours to contribute to sustainable development from an economic, social and environmental perspective.

2020 also marks the introduction of the Risk Management Policy and Procedure by the Parent Company – from this moment on, the following is being successively evaluated: corporate process risks, submitted offers, contract performance and financial risk. These risks are identified and analyzed on an ongoing basis, and accordingly controls are being introduced with a view of limiting the said risks. The risk management system adopted by the Company presumes the generally accepted model of three lines of defence, applied along with the rule of good corporate governance practices as regards allocation of rights and responsibility. The implementation of the Risk Management Policy and Procedure within the whole Group is scheduled for 2021.

The parent company has the Integrated Management System, which includes:

- ISO 9001:2015 Quality Management System;
- ISO 14001:2015 Environmental Management System;
- ISO 45001:2018 OHS Management System.

Due to changes in the organizational chart of the Company, and plans related to system certification, the system documentation was revised.

At the beginning of October 2019 the supervisory audit of the Integrated Management System was carried out by TUV SUD auditors. The audit was concluded with a positive result. The certificate held by the Parent Company confirms the proper functioning of the three aforementioned systems in the Company.

The Integrated Management System Certificate is valid till July 22, 2021.

2. BUSINESS OF TRAKCJA GROUP

2.1. Key products, goods and services

Trakcja Group's activities comprise the following areas of services:

Comprehensive modernisation of railway lines

Modernisation of the railway lines includes:

- development and agreement of concepts for all industries, preparation of the project construction documentation, detailed design documentation, obtaining of all permits and permissions and also the preparation of the as-built documentation,
- replacement of railway track substructure and superstructure using the mechanised substructure and track machinery, including the development of the drainage system,
- disassembly of a contact line, including the removal of old foundations and the construction of a new contact line with the use of modern methods for positioning foundations, through the application of the piling method and with the use of trains for stream replacement of the network,
- renovation or complete reconstruction of civil engineering facilities, culverts, bridges and overpasses,
- construction of power supply systems for railway lines,
- comprehensive modernisation of railway crossings (crossings of roads with railway lines),
- reconstruction of a railway traffic control system,
- preparation of construction sites,
- construction of complete buildings or parts thereof,
- development of construction systems, civil engineering works for tracks and roads,
- construction of overhead and underground power distribution lines,
- construction of railway and tram electric contact line and hydraulic engineering.

Moreover, the Group cooperates, if necessary, with companies that specialise mainly in safety of rail traffic and in telecommunications.

Within the framework of supplementary activities, the Group produces different types of industrial devices used for modernising the railway infrastructure, which include the following: 15 kV traction and mobile switchboards, 3 kV, 1.5 kV, 1 kV, 0.8 kV direct current switchboards, control cabinets, local and remote control devices, network isolating switches, steel constructions for the assembly of substations and power system elements and certain contact line equipment. The Group also provides comprehensive services in the area of constructing 110 kV, both cable and overhead, high-voltage lines, and medium-voltage power supply lines, including 15 kV auxiliary power supply lines for the rail infrastructure, along with transformer substations, and low-voltage lines for lighting systems, fire protection systems, lightning protection system, railway traffic and passenger infrastructure control systems and other safety systems.

Road infrastructure construction

These activities include:

- roads – construction and reconstruction of motorways, roads, streets, squares and car parks; services relating to road maintenance in winter and summer,
- bridges – construction and reconstruction of bridges, viaducts and flyovers,
- tunnels – construction and reconstruction of tunnels,

- airports – construction and reconstruction of airport runways and landing areas, air plane parks and special purpose areas.

Power engineering construction

These activities include:

- development of concepts, design documentation and obtaining the necessary permits for power networks and stations,
- construction of power networks and substations, including for high voltage systems,
- construction of power systems in buildings,
- diagnostic, measurement and maintenance services for electrical networks and systems.

Cubature construction

Capacity construction implemented within Trakcja Group comprises:

- public utility buildings,
- industrial facilities.

Property development activities

The activities of PRK 7 Nieruchomości Sp. z o.o., which is a member of Trakcja Group, include:

- construction works,
- construction of multifamily residential buildings,
- real property activities with own property,
- letting of own property.

Other activities

Other activities include:

- construction of quays – construction and alteration of ports and harbours and other quayside structures,
- engineering infrastructure – construction of water supply systems, sewage systems, water systems and water treatment plants, and also road and street lighting, as well as provision of traffic control signal assembly and repair services,
- lease of specialized rail equipment,
- construction of sports facilities,
- manufacture of building materials: asphalt concrete, bitumen emulsions, including polymer modified ones, concrete and reinforced concrete products, as well as extraction and processing thereof.,
- technical inspections and repairs of rolling stock.

Order backlog

As at 31 December 2020, Company's construction order backlog stood at PLN 1,759 million (excluding the portion of revenue attributable to consortium members). In 2020, the Company signed construction contracts with a total value of PLN 59,2 million (excluding the value of work attributable to consortium members).

As at 31 December 2020, the Trakcja Group's construction order backlog stood at PLN 2,573 million (excluding the portion of revenue attributable to consortium members). In 2020, the Trakcja Group companies signed construction contracts with a total value of PLN 762 million (excluding the value of work attributable to consortium members).

As at 31 December 2020, the Company's and Trakcja Group's order backlog ensures full utilisation of production capacity in the next financial year. Participation in new tenders in 2021 will enable the Group and the Company to secure its order backlog for subsequent periods to an even greater extent.

The largest contracts executed by Trakcja Group in 2020 are presented in the table below (the contract amount indicated taking into account the value of work to be performed by the consortium members):

Lp.	Name of the contract	Net amount of the contract (PLN million)*	Type of work
1.	Execution of construction works in LCS Łowicz – section: Sochaczew – Żychlin and section: Placencia – Łowicz Główny as part of the task "Works on the E20 railway line on the Warszawa-Poznań section – other works, section: Sochaczew-Swarzędz"	481	railway
2.	Modernization of the E30/C-E30 railway line on the Kraków – Rzeszów section, stage III (Dębica - Sędziszów Małopolski)	430	railway
3.	Design and execution of works within the framework of the project construction of the Szczecin Metropolitan Railway using the existing sections of railway lines No. 406, 273, 351 - task A pn. "Modernization of railway line No. 406 on the section Szczecin Główny - Police"	421	railway
4.	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"	395	railway
5.	Execution of design and construction works under the project entitled "Revitalization of railway lines No. 694/157/190/191 Bronów - Bieniowiec - Skoczów - Golezów - Cieszyń / Wisła / Głębcze"	393	railway
	Partial order A:		
6.	Design and execution of construction works on the Bronów - Wisła - Głębcze section Development of detailed designs and execution of works for LCS Warszawa Okęcie as part of the Project POLIŚ 7.1-19.1.a. pn. "Modernization of the railway line No. 8, section Warsaw Okęcie - Radom (LOT A, B, F)"	384	railway
7.	Design and execution of construction works on the E20 railway line, section: Siedlce-Terespol within the task "Works on the E20 railway line on the Siedlce - Terespol section, stage III - LCS Terespol"	382	railway
8.	Reconstruction of track systems together with accompanying infrastructure on the E59 railway line, Stargard - Szczecin Dąbie section as part of the project "Works on the E59 railway line on the Poznań Główny - Szczecin Dąbie section"	346	railway
9.	Project and construction of the S61 express road in Szczuczyn-Budzisko (National border) with the division into tasks: Task No. 2: section Elk Południe node - Wysokie node (along with the wyplot along the national road 16)	329	road
10.	Modernization of the E30/C-E30 railway line on the Kraków – Rzeszów section, stage III; Sędziszów Małopolski – Rzeszów Zachodni section, km 133,600 – 154,900	313	railway
11.	"Reconstruction of track layouts along with accompanying infrastructure on the E59 railway line section Poznań Główny - Rokietnica" as part of the project "Works on the E 59 railway line on the Poznań Główny - Szczecin Dąbie section" (Updated contract value, not including the contingent amount)	278	railway
12.	Implementation of construction works under the Tender No. 1 - Modernization of the Jaworzno Szczakowa - Trzebinia section (km 1,150 - 0.000 line No. 134, km 15,810 - 29,110 lines No. 133) as part of the project "Modernization of the E30 railway line, Zabrze section - Katowice - Kraków, stage IIb "	264	railway
13.	Design and construction of the S-5 expressway on the section from the Szubin junction (with the junction) to the Jaroszewo junction (with the junction) of about 19.3 km in length	242	road
14.	Construction of the second section of the Plungė-Šateikiai railway	216	railway

Task A: Preparation of project documentation and execution of the construction works under the project „Revitalization of railway line no. 405, section: voivodeship border – Słupsk–Ustka”, Task B: Design and building of railway traffic control equipment from railway station Szczecinek km 71,480 to km 104,515 within the project „Increase of safety and liquidation of operating dangers at the rail network”			179	railway
15.	border – Słupsk–Ustka”, Task B: Design and building of railway traffic control equipment from railway station Szczecinek km 71,480 to km 104,515 within the project „Increase of safety and liquidation of operating dangers at the rail network”			
16.	Modernization of the E59 railway line on the Wrocław - Poznań section, stage III - section Czempin - Poznań		164	railway
17.	Reconstruction works of Vilnius airport		123	road
18.	Reconstruction of the A1 Vilnius-Kaunas-Klaipeda road 99.29 - 100.47 km		123	road
19.	Reconstruction of the roundabout with the preparation of the works project at the intersection of Baltijos ave, Silutes pl. (including the entrance to Dubysos St.) and Wileńska St.		116	road
20.	Order regarding the design and execution of construction works - optimization of the energy transmission network in north-eastern Lithuania and its preparation for the operation of a synchronous transmission network in continental Europe (order No. 189494)		112	energy
21.	Designing and execution of works under the project construction of the Szczecin Metropolitan Railway using the existing sections of railway lines No. 406, 273, 351 - Task B pn. "Modernization of selected passenger infrastructure on railway lines No. 273, 351 and 401"		105	railway

*updated contract value

2.2. Sale structure

Sales structure by type of works, as well as manufacturing and other activities in 2019 and 2020 are presented in the tables below:

Structure of the Company's sales:

	2020		2019	
	value	share	value	share
Railway works	512 852	78.6%	631 625	75.7%
Road works	68 402	10.5%	117 984	14.1%
Bridge works	-	0.0%	413	0.0%
Tramway works	41 475	6.4%	64 104	7.7%
Energy works	8 951	1.4%	6 021	0.7%
Production	13 144	2.0%	10 221	1.2%
Other areas of activity	7 929	1.2%	3 842	0.5%
Total revenues from sales	652 753	100%	834 210	100%

Structure of the Group's sales:

	2020		2019	
	value	share	value	share
Railway works	531 576	39.7%	667 433	46.3%
Road works	476 564	35.6%	491 494	34.1%
Bridge works	173 837	13.0%	79 102	5.5%
Cubature works	35 923	2.7%	5 788	0.4%
Tramway works	42 696	3.2%	69 341	4.8%
Energy works	52 447	3.9%	65 168	4.5%
Production	25 317	1.9%	17 830	1.2%
Other areas of activity	622	0.0%	44 618	3.1%
Total revenues from sales	1 338 982	100%	1 440 774	100%

2.3. Market and supply sources

Geographical structure of Company's sales in 2019 and 2020 is presented in the table below:

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

Geographical structure of Trakcja Group's sales in 2019 and 2020 is presented in the table below:

Allocation of revenues by country	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Poland	765 460	980 006
Lithuania	514 618	337 950
Sweden	46 724	47 513
Latvia	5 236	33 412
Hungary	-	304
Germany	1 148	836
Ukraine	5 796	40 753
Total	1 338 982	1 440 774

The key customer of the Group is PKP Polskie Linie Kolejowe S.A. ("PKP PLK S.A."), and other customers include: the Lithuanian Road Administration, Cracow City Municipality and the Vilnius City Office.

The structure of customers indicates that the Group is dependent on PKP PLK S.A. whose orders in the period from 1 January 2020 to 31 December 2020 accounted for approximately 38% of the Group's consolidated revenue. On the other hand, approximately 20% of the Group's revenue in 2020 was earned from the implementation of projects for the Lithuanian Road Administration.

The structure of suppliers in the period under review shows that the Group is not strongly dependent on any of its counterparties. In 2020, no supplier accounted for more than 10% of the value of materials and services purchased by the Group.

2.4. Events of 2020

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 Wrocław 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 Wrocław", 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
Refinancing process	RB
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
Other	RB
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
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

2.5. Significant events and achievements of Trakcja Group which have a considerable impact on its activities

Long-term contracts for construction services performed by the companies within the Group have a major impact on their financial performance in 2020 and in the following years. The most considerable contracts performed in the course of 2020 are listed in Note 2.1 hereof. Information regarding the most significant contracts for construction services concluded in 2020 is presented in Note 2.6 hereof. Significant events after the balance sheet date are described in Note 5.10 hereof.

The Group continues to diversify its activities. In the recent years it has significantly strengthened its position on the road market and maintained its strong position on the rail construction market. The Group has also taken measures aimed at strengthening its position on other geographical markets and in other segments of the infrastructural construction sector. The Parent Company operates in the tram segment (urban market). It also carries out activities on the energy market.

In 2020 Parent Company's completed of Stage I of Recovery Plan initiatives and commencement of Stage II. During the second stage of Recovery Plan initiatives, 51 initiatives became operational, 6 initiatives were transferred from Stage I for further implementation. The programme presently includes 57 initiatives. All initiatives have been divided into three types: savings (15), supporting (39) and sales (3). Among implemented initiatives, the following are worth mentioning: uniformization of the wage system, digitalization of processes within the undertaking, reduction of expenses at every level of the undertaking's operations, fleet optimization, more efficient recording and accounting of working time, which entails effective analysis of expenses and evaluation of productivity. Trakcja has, within the framework of the Recovery Plan, optimized and systematized key processes, which have contributed to expense reduction and to the efficiency of in-house corporate communication and of exterior communication.

Actions taken by the Parent Company's Management Board in connection with the SARS CoV-2 pandemic

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 Group forced the companies of Trakcja Group to implement changes in their work organization. Taking into account the health and safety of employees as well as in order to maintain the continuity of the Group'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 entire Group 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 Group attempted to mitigate the disruptions that occurred by employing other available subcontractors and performing works using its own resources. The Group seeks alternative sources of supply and enters into commercial negotiations in order to obtain satisfactory terms and conditions.

In 2020, the Group received PLN 3.4 million in public support in the form of financial subsidies granted by Polski Fundusz Rozwoju S.A. under the "Tarcza finansowa PFR (PFR Financial Shield)" programme.

As at the date of publishing of this report, the present stage of development of the SARS Cov-2 pandemic has not borne a significant impact on the strategic orientation and operational targets of the Group and on its financial position. However, since October 2020, the Company notes a significant increase of SARS Cov-2 infections among its staff and an increase of quarantined or isolated employees. The Company's Management Board has been monitoring the situation on an ongoing basis and has been analysing the epidemic's potential impact on the operations, performance and prospects of the Company and Group, including the necessity of modifying valuations of contracts and of the Group's liquidity ratio. Simultaneously, it cannot be excluded that the foregoing circumstances may bear an adverse impact on the Group's operations, its financial position, performance, prospects, as well as on the price of stock during subsequent periods.

2.6. Significant contracts

2.6.1. Significant construction contracts

Key construction contracts signed by the Trakcja Group companies in 2020 (the contract amount indicated taking into account the value of work to be performed by the consortium members):

No.	Name of the contract	Net amount of the contract (PLN million)	Company	Type of work
1	Reconstruction works of Vilnius airport	122	AB Kauno tiltai	road
2	Reconstruction of the roundabout with the preparation of the works project at the intersection of Baltijos ave, Silutes pl. (including the entrance to Dubysos St.) and Wileńska St.	112	AB Kauno tiltai	road
3	Reconstruction of an overhead line, voltage 330 kV Lietuvos E - Alytus (LN 330)	67	AB Kauno tiltai	energy
4	Bolesław Chrobry's Bridges in Wrocław city	57	Trakcja S.A.	road
5	Construction of a special education center in Pruszków, Wapienna Street (2 stages)	34	PRK 7 Nieruchomości Sp. z o.o.	cubature
6	Construction of building D "Maria Grzegorzewska" in Warsaw	29	PRK 7 Nieruchomości Sp. z o.o.	cubature
7	Construction, renovation and maintenance of local roads and streets in the Vilnius region commune (Package D).	23	AB Kauno tiltai	road
8	Renovation of the district road no. 4512 on the section Skaudvilė-Adakavas-Nemakščiai from 6428 to 12.180 km	13	AB Kauno tiltai	road
9	Construction, renovation and maintenance of local roads and streets in the Vilnius region commune (Package E).	11	AB Kauno tiltai	road
10	Reconstruction works of S.Daukanto street in Kaunas	12	AB Kauno tiltai	road
11	Reconstruction of the district road no. 4107 Upyna – Pagrybis – Kaltinėnai on the section from 0.720 to 6.488 km	14	AB Kauno tiltai	road
12	Reconstruction of Europos ave. (from Verkių St. to Kalvarijų St.)	12	AB Kauno tiltai	road
13	Other	266		
TOTAL		773		

The most advantageous bids submitted during public tenders in 2020:

The Parent Company has submitted the most advantageous bids in the following public tenders in 2020:

- „Reconstruction of railway line no. 7 - Warszawa Wschodnia - Wawer” (value of contract - PLN 422.4 million net);
- „Expansion of the Tram Line in Olsztyn” (the Company's share – PLN 163.9 million net);
- „Construction of the Tram Line in Bydgoszcz” (value of contract - PLN 124.9 million 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 42.2 million net and for the „Expansion of the Tram Line in Olsztyn” contract – PLN 16.4 million 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).

On 16 February 2021, the Issuer's subsidiary, Kauno Tiltai Sverige AB (established in Sweden) signed an agreement with the Administrative Board of the City of Skellefteå for the performance of the following construction work: „New wooden bridge on the River Skellefteälven". The subject of the agreement is the construction of a new bridge for pedestrian, bicycle and automobile traffic. The contract covers all the works, including delivery and assembly, in accordance with the tender documents. The total net value of the contract amounts to SEK 202.8 million (PLN 90.7 million – in accordance with the exchange rate on the date of signing the agreement).

On 8 April 2021, the Issuer's subsidiary, Torprojekt Sp. z o.o. in the capacity of Leader of the following consortium: Torprojekt Sp. z o.o. – Consortium Leader, - Kuryłowicz & Associates Sp. z o.o. – Consortium Partner – signed with PKP Polskie Linie Kolejowe S.A.: Annexes and Agreements of a similar nature as the basic contract in connection with the agreement concluded on 10 January 2018 for "Realization of project documentation and exercising author's supervision over the execution of the Warsaw cross-city line reconstruction under the project POLiŚ 5.1-13 entitled "Works on the Warsaw cross-city line on section Warszawa Wschodnia – Warszawa Zachodnia". The total net value of the Annexes concluded on 8 April 2021 shall amount to PLN 16.0 million net, and the share of Torprojekt Sp. z o.o shall amount to PLN 12.3 million net. The total net value of the Annexes in question and of the Agreement shall amount to PLN 40.0 million net, and the share of Torprojekt Sp. z o.o shall amount to PLN 31.0 million net.

2.6.2. Insurance contracts

The Parent Company and Group companies have acquired standard insurance policies that ensure insurance coverage for movable assets against damage and for third party liability in relation to the business activities carried out and the assets owned. They also have insurance contracts for construction risks. In addition, the Group acquired standard insurance policies that provide third party liability insurance to members of corporate bodies of the Company and Group companies.

The aforementioned insurance contracts have been entered into with the following insurance companies: Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A., STU Ergo Hestia S.A., Allianz S.A., PZU S.A., AXA Towarzystwo Ubezpieczeń i Reasekuracji S.A., Generali T.U. S.A., InterRisk Towarzystwo Ubezpieczeń S.A., ADB „Gjensidige”, AS „If P&C Insurance”, SE „ERGO Insurance”, AAS „BTA Insurance Company”, AB „Lietuvos draudimas”, ADB „Compensa Vienna Insurance group”.

Third party liability insurance contracts for the Management Board members have been signed with the consortium of Colonnade Insurance Societe Anonyme branch in Poland, HCC International Insurance Company PLC and Towarzystwo Ubezpieczeń i Reasekuracji Allianz Polska S.A.

2.6.3. Cooperation agreements

The Group has signed framework cooperation agreements concerning financial market transactions with mBank S.A. and Luminor Bank AB. The agreements set out the principles of cooperation in the area of financial market transactions between the Group and the bank.

2.7. Key deposits and capital investments

2.7.1. Investments in tangible and intangible assets

In 2020, investment expenditure in the Company and the Group amounted to PLN 7,347 thousand and PLN 23,680 thousand, respectively.

The following investment projects were completed in 2020:

Company:

	Acquisition for cash	Leasing	Credits and loans	Total
Replacement investments	3 817	3 530	-	7 347
Total	3 817	3 530	-	7 347

Group:

	Acquisition for cash	Leasing	Credits and loans	Total
Development investments	1 508	102	-	1 610
Replacement investments	3 991	5 846	-	9 837
Modernization investments	2 389	9 844	-	12 233
Total	7 888	15 792	-	23 680

Moreover, in 2020's balance-sheet the Company recognized, in accordance with IFRS 16, tangible fixed assets in the amount of PLN 8,457 thousand due to executed lease agreements, of which PLN 5,444 thousand 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.

The following investment projects were completed in 2019:

Company:

	Acquisition for cash	Leasing	Credits and loans	Total
Development investments	205	-	-	205
Replacement investments	3 554	3 111	-	6 665
Total	3 759	3 111	-	6 870

Group:

	Acquisition for cash	Leasing	Credits and loans	Total
Development investments	209	456	-	665
Replacement investments	11 831	4 874	216	16 921
Modernization investments	510	-	-	510
Total	12 550	5 330	216	18 096

In 2020, the Company and the Group plan to incur capital expenditure of approximately PLN 13,777 thousand and PLN 28,666 thousand, respectively. These projects are to be financed as follows:

Company:

Capital expenditure within individual operating segments of the Group was as follows:

- “Civil engineering - Poland” – PLN 10,005 thousand (in 2019: PLN 9,734 thousand);

- “Construction, engineering and concession agreements – Baltic countries” – PLN 12,234 thousand (in 2019: PLN 7,972 thousand);
- other segment – PLN 1,441 thousand (in 2019: PLN 390 thousand).

In 2021, the Company and the Group plan to incur capital expenditure of approximately PLN 14,040 thousand and PLN 33,778 thousand, respectively. These projects are to be financed as follows:

Company:

Cash	2 087
Financial leasing	11 953
Total	14 040

Group:

Cash	18 353
Financial leasing	15 425
Total	33 778

In the opinion of the Management Board, the Group is able to implement current and future investment objectives based on own funds generated from core operating activities and leases.

2.7.2. Equity investments of the Group, including equity investments outside the Group

The Group made no material capital investments in 2020.

2.7.3. Strategy and development of the Group

In 2020, the Group continued its organisational and legal restructuring process in order to achieve synergies and enhance its operational efficiency and financial power.

In 2021, Trakcja Group expects to continue to improve the Group's performance, guided by the following strategic principles:

- development through organic growth;
- enhancement of effectiveness and efficiency through improved organisation of works, better use of synergies, and incentive schemes;
- intensified use of its own resources during the performance of contracts;
- ensuring increased financing to make up the shortfall, in particular through:
 - finalising settlement negotiations on court claims,
 - additional debt financing,
 - sale of assets.
- selective approach to the performance of contracts under consortium agreements.

Key success factors of Trakcja Group include both the incentive systems that encourage employees to seek further improvements in operational activities and the knowledge-sharing systems between the Group members.

Active policy on liquidity management of the Parent Company

In addition to activities that contribute to the improvement of future financial performance, the Parent Company's Management Board is primarily focused on the Company's liquidity situation. The Parent Company pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long-

term perspective, aiming at maintaining a stable level of available financing. In order to maintain liquidity, the Parent Company, when seeking new contracts, pays particular attention to their financing terms, in particular the ability to obtain advance payments. In addition, the Parent Company pursues an active policy of maintaining a low level of receivables, managing inventories and selling key materials to the ordering party at the initial stage of a contract. The Parent Company places great emphasis on shortening the period between the completion of works and their invoicing. The Parent Company's activities related to the liquidity situation are described in Note 11 to the consolidated financial statements for 2020.

Active participation in tender procedures

The Parent Company shall continue its active participation 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.

Strengthening the position on the Polish market for construction and assembly services in the railway sector

In 2021 and beyond, the Management Board of Trakcja intends to focus its efforts on the Polish market for construction and assembly services in the railway sector. This objective can be achieved thanks to the effective organisational and financial support for the tendering and contracting area and for the contract implementing.

The primary objective in financial management will be to improve the efficiency of working capital management. It is expected to result in enhanced liquidity, minimisation of demand for working capital and maintaining a safe level of the Group's debt.

Diversification of the Group's activities

The Group, within the framework of diversification, became involved in 2020 in municipal investments in the area of the modernization of tram and trolleybus infrastructure. The Parent Company has successfully completed its contracts.

The Parent Company has submitted the most advantageous bids in public tenders of the municipal market:

- „Expansion of the Tram Line in Olsztyn” (the Company's share – PLN 163,9 million net);
- „Construction of the Tram Line in Bydgoszcz” (value of contract - PLN 124,9 million net).

The Parent Company continues bidding with a view of soliciting subsequent projects. The Group has also successfully continued its involvement in Germany, by performing a volume project in Stuttgart. In 2020, the Parent Company has obtained four certificates from the German Railways (Deutsche Bahn), which entitle to the performance of construction work for that state's railway infrastructure and has renewed the German VOB Certification in 11 categories.

2.8. Outlook for the Group

Despite the issues related to the Group's liquidity situation, described in Note 11 to the consolidated financial statements for 2020, the Management Board positively assesses the Group's growth outlook for 2021.

Trakcja Group has been consistently expanding its competencies in various sectors of infrastructural construction, with a focus on the railway sector.

Railway market

In accordance with the National Railways Programme (“KPK”) adopted by the Council of Ministers on 23 November 2016, and its most recent update of June 2020, the value of the programme has been increased to

PLN 75.45 billion (the Parent Company, as always, has also actively participated in tenders in the tram market, according to financial sources). Until 2023, the National Railways Programme will be implementing the strategy adopted by the Council of Ministers, including the "2020 Country Development Strategy" and the "Transport Development Strategy to 2020, with a perspective up to 2030". The KPK shall be in force until 2023, that is, until the moment when projects can be funded within the framework of the EU financial perspective for 2014-2020. The document sets out the scope and sources of funding (including EU funds and national funds); it also constitutes the basis for assuring project funding in accordance with the Public Finances Act. In accordance with the Resolution of the Council of Ministers of 12 June 2020, planned expenditures of the KPK Programme, after updating are as follows (in accordance with sources of funding):

- 2021 – PLN 13.6 billion;
- 2022 – PLN 14.1 billion;
- 2023 – PLN 9.8 billion.

In 2020, PKP PLK has published the following document: „PKP Polskie Linie Kolejowe S.A. – intended investment expenditures for the years 2021 – 2030 with a perspective until 2040”, which presents capital expenditure projects until 2040. In accordance with this document, project proposals have been divided by PKP PLK into 4 groups due to differing features of the projects in question:

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

On 26 November 202, the Ministry of Infrastructure and PKP PLK presented a plan of tender proceedings to be announced by the end of 2021 for a sum of PLN 17 billion, of which the sum of PLN 16.5 billion shall concern tenders for construction works announced with the framework of KPK and the New Perspective for 2021-2027, and PLN 650.0 million is the value of tenders for the maintenance and overhaul of the railway infrastructure.

Road market

On the other hand, the expected value of investment projects under the National Road Construction Programme (PBDK), following its updating in June 2020, amounts to PLN 169.3 billion.

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

Others

The Parent Company participates in the expansion into the urban market of tram transport services and in the field of environmental protection by taking part in tenders for incinerators.

2.9. Description of external and internal factors relevant to the Group's development

Below are presented the key factors which, in the opinion of the Parent Company's Management Board, currently have or may have in the near future an impact on the Group's business. For information on significant proceedings and disputes against the Group companies, as well as penalties, see Note 5.6 to this report.

The key external factors with a significant impact on the Group's financial performance include:

- ability to obtain new construction contracts, which – considering the profile of the Group's operations – is determined by the level of expenditures on rail, road and tram infrastructure in Poland and Lithuania, as well as in new markets.
- Efficient opening and signing of contracts by the Contracting Authorities.
- Competition from other entities and increasing pressure on margins.
- Absence of market barriers.
- joint and several liability of construction consortia members and liability for improper performance of construction work by subcontractors.
- Prices of raw materials and construction materials.
- increasing bargaining power of subcontractors (affecting the level of subcontractor's services prices).
- Labour market situation in Poland and Lithuania.
- Changes in exchange rates, in particular of the euro.
- The impact of the Central Bank's monetary policy on changes in interest rates on loans.
- Timeliness of payment of liabilities by customers. If liabilities are not repaid on time, the Company's financial liquidity may deteriorate.
- Changes in legal regulations designating the scope of the Group's activities, including tax regulations and provisions of law regarding any other public charges.
- Level of adjustment of value of construction contracts.
- Atmospheric conditions.
- Epidemic of SARS CoV-2 (COVID-19).

The key internal factors with a significant impact on the Group's financial performance include:

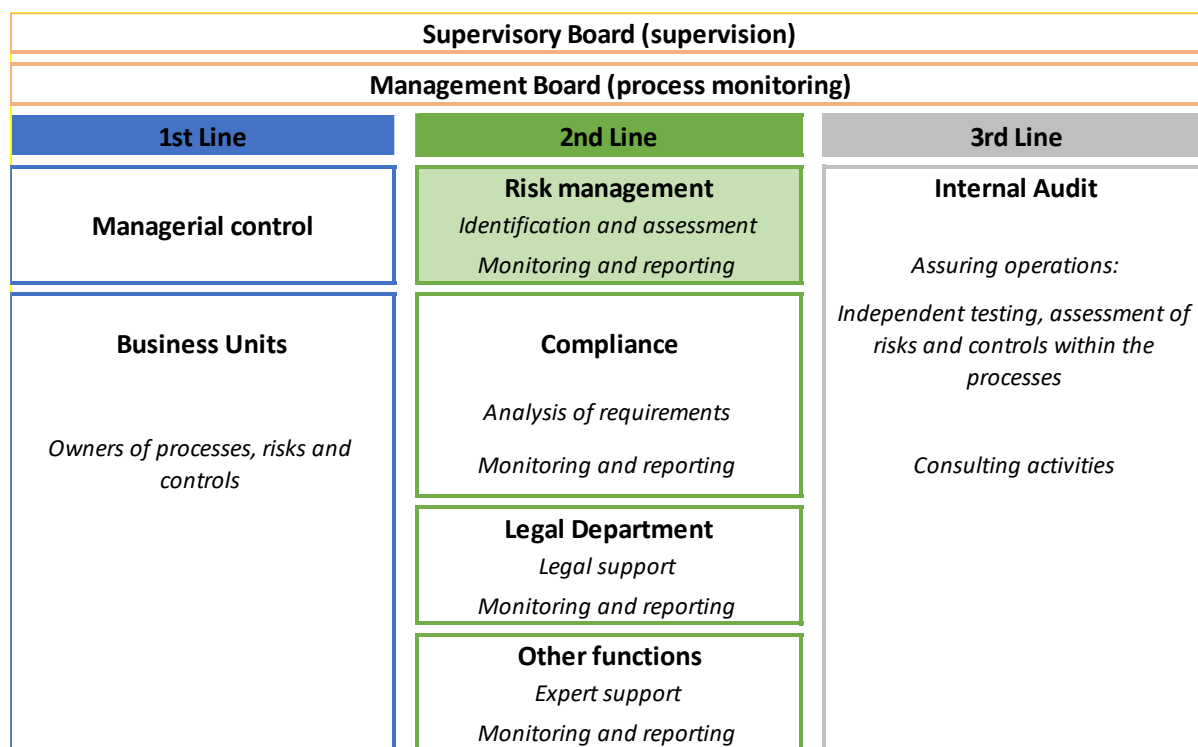
- Accuracy of the project cost estimates, as it exerts a direct impact on decisions regarding the participation in tenders, valuation of contracts for tenders and as a result margins on contracts, the accuracy of budget estimations for contracts cost is in turn related to both methodological and external factors, e.g. changes in prices of materials and subcontractor services;
- The number of contracts won as part of investment programmes for rail and road infrastructure in Poland and Lithuania.
- Ability to attract highly qualified staff.
- Ability to further diversify the activities.
- The risk related to obtaining financing for the implementation of construction contracts and obtaining contractual guarantees.
- Ability to maintain liquidity (as specified in note 11 of the Additional information and explanations to the consolidated financial statement).
- Ability to satisfy the conditions provided for in financing agreements, including maintaining the value of financial ratios specified in financing agreements at the indicated level.
- Results of ongoing court proceedings.
- Ability to implement the Issuer Group's development strategy.

2.10. Risk factors and threats

The Trakcja Group has defined risk as an uncertain event or set of uncertain events which, in the event of their occurrence, will bear an impact on the achievement of business targets. Risks are analysed at the level of the organization, business processes, bidding processes and contract implementation. The actual and potential impact of risk on the Company's operations is subjected to evaluation. Based on this assessment, governance practices are verified and adapted.

2020 marks the introduction of the Risk Management Policy and Procedure by the Parent Company – from this moment on the following is being successively evaluated: corporate process risks, submitted offers, contract performance and financial risk. These risks are identified and analyzed on an ongoing basis, and accordingly controls are being introduced with a view of limiting the said risks. The risk management system adopted by the Company presumes the generally accepted model of three lines of defence, applied along with the rule of good corporate governance practices as regards allocation of rights and responsibility. The implementation of the Risk Management Policy and Procedure within the whole Group is scheduled for 2021.

Diagram 1. Organizational structure of risk management at Trakcja S.A.



The Company operates within an industry with increased risks. Apart from ordinary risks, there are risks which are typical for this sector, the scale of which compared against other industries is somewhat greater.

The Trakcja Group is exposed to numerous types of risks, which may be classified in accordance with two categories of risks:

- Ordinary risks,
- Extraordinary risks.

Ordinary risks

Ordinary risks are such that they are present in general; they are characterized as relatively regular as regards the identification of adverse events and phenomena. Such risks include the bidding risk, contract performance risk and broadly understood financial risk.

Bidding risk

An analysis of factors which bear an impact in the bidding process is rather complex. The tenders in which the Company participates consist of a number of technical operations that require the participation of experts, specialized companies and qualified staff, for the purpose of ensuring:

- the actual capabilities for the timely completion of work;
- expertise and experience in the performance of similar projects (for the purpose of identifying and analyzing problems which may appear and taking of appropriate steps);
- good knowledge of the law (inter alia, for the purpose of assuring compliance with guidelines and national legislation).

Furthermore, every bidder implements a particular tender strategy, taking into account a number of factors, inter alia, such as:

- to-date working experience with the customer's staff;
- the customer's financial stability;
- market conditions and level of competition in the fight for the contract;
- inflation;
- balancing of risk in the contract.

The determination which risks may bear an impact on the project's targets (in particular, time, expenses and quality) and documentation of the attributes of each risk factor are the fundamental stages of risk management processes at the bidding stage. As a rule, all projects aim at balancing expenses and value for all stakeholders. And that is why a detailed and professional analysis of the sources of risk which may bear an impact on the project's result, in particular during the bidding stage, is so important.

Contract performance risk

The next risk within the framework of ordinary risks is the contract performance risk. It is a risk inherent to the Group's business. Factors which bear an impact on this risk, are, inter alia, amendments to the construction law, Code of Administrative Procedure, environmental law, modifications of service providers' prices, non-completion or delay in completion by sub-contractors of work necessary for the commencement of project implementation, underestimated expenses, potential penalties for infringements in the performance of contracts and last but not least, meteorological conditions. Trakcja Group companies enter into contracts with sub-contractors usually later in time than entering into a contract with the investor, which may give rise to the risk that the price of services performed by sub-contractors to the benefit of the Group may be higher than the price accepted at the stage of the valuation of the contract and its signing. Prices in agreements with the investor are fixed and are not subject to change during the term of the contract. The Trakcja Group is faced with the risk of not meeting the performance deadlines of completing the subject of the construction work agreements, as well as of performance of warranty work associated with the remedying of defects and faults, which consequently entails the investor's right to exercise the above-mentioned performance bond or to demand contractual penalties. The Group also cannot exclude the risk associated with any disputes concerning the proper or untimely performance of the above-mentioned agreements. The occurrence of the above-mentioned

factors may bear an adverse impact on the Issuer's financial performance. However, the Issuer's Management Board takes appropriate steps with a view of minimizing such risks, inter alia by:

- implementation of a modern contract management system which allows the management of budgets and schedules of a number of large products implemented simultaneously on the basis of detailed unit data registered in real time;
- constant monitoring of sub-contractor services prices, so as signed agreements have properly matched parameters in terms of the contract's duration and contract value vis a vis the market situation;
- Implementation of a more effective risk management system;
- Implementation of a central purchasing plan with regard to all implemented projects and all support organizational units, owing to which the Group intends to achieve material and permanent savings in expenses and to optimize purchase.

Furthermore, years of market practice has enabled the Issuer to develop management techniques for implemented projects which assure performance of the envisaged schedules entrusted to the Group's companies, and at the same time, to maintain the required quality and special requirements of the investors.

Financial risk

The last primary risk to be analyzed within the framework of ordinary risks is the financial risk. The risk associated with financial agreements follows from the fact that both banks (as regards credits and contractual guarantees), as well as insurance companies (as regards contractual guarantees) may decrease the availability of funding sources and of other financial instruments, which may bear an impact on limiting the completion of contracts. A material factor for insolvency risk assessment is the generated level of operational flows, amount of cash and liquidity ratio. The Issuers constantly monitors the status of disposable cash, takes steps with a view of ensuring a safe level of both external funding, as well as of financial liquidity. Countering the materialization of all of the above-mentioned risks is the fundamental purpose of the Issuer's Management Board, which conducts discussions with the contracting entities, consortium partners and sub-contractors, banks and insurance companies. Such risks are managed at the level of the Group's highest authorities. The restructuring process commenced in previous years is still being continued.

Additionally, as regards ordinary risks, the Parent Company identifies and monitors corporate risk on a constant basis, which includes in-house Company processes, such as the purchase process, warehouse management, and environmental protection, supervision exercised over conducted construction work, personal data processing, and the industrial health and safety process.

Extraordinary risks

Among the extraordinary risks existing in the Company's sector is especially the risk of disrupting operations due to the COVID-19 virus. This is a risk that has been with the Company for all of 2020 and continues to be a hazard in 2021. Although the infrastructure construction sector within which the Group operates has been affected by it to a lesser degree than other branches of the economy, the restrictions constantly introduced by the State generate a risk of hindering the operation of the companies. This risk is, inter alia, associated with access to materials and raw materials, or staff problems, especially with employees, in particular, with those who migrate between the borders (Germany and Ukraine). The Group companies' management boards are however doing everything in their power to minimize the effects of the present pandemic for the Group by, inter alia diversifying suppliers of materials or by applying sanitary restrictions at sites or offices. As at the date of this report, the effects of the pandemic seem to be troublesome for the Group, however they do not bear a great effect on its core activities.

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

The Management Board believes that in the event of a continuation of the pandemic and of various types of restrictions associated with it, the Group may be affected in, inter alia, the following manner:

- restrictions in transport and in the continuity of deliveries of components and raw materials,
- increase of the costs of certain services, such as the transport of raw materials and materials,
- prolonged time of delivering administrative decisions concerning the implemented construction contracts,
- decrease of the availability of sub-contractors and of their productivity, which may lead to delays in the performance of orders under contracts by the Group, and consequently may entail the risk of bringing claims by contracting entities for the payment of contractual penalties by Group companies for the untimely performance of orders.

Despite that as at the date of preparation of this report, both counterparties and financial institutions continue to operate, the further spread of the SARS CoV-2 virus may result in a change in the manner of operation of the Group's counterparties, courts and institutions which provide funding to the Group, which in turn may lead to delays in the solicitation of funds by the Group, necessary for:

- discharging its financial obligations,
- solicitation of new orders due to a lack of the required financial performance bond in the form of a guaranty or funds necessary for the payment of a deposit,
- discharging the Company's obligations under long-term funding documents (which was reported by the Company in current report no. 51/19 of 27 September 2019), concluded within the framework of the Group's financial restructuring process.

3. ANALYSIS OF ASSETS AND FINANCIAL CONDITION OF THE GROUP AND THE PARENT COMPANY

3.1. Group's financial performance in 2020

In order to provide a comprehensive view of the Group's financial position, alternative performance measures (APMs) were applied. In the Company's opinion, they provide material information on the financial position, operating efficiency, profitability and liquidity, and should be analysed only as complementary financial information. The alternative performance measures should be read in conjunction with the financial statements of the Group.

The Company believes that the APMs presented are a source of additional, valuable information on the Group's financial standing, and facilitate the analysis and evaluation of the financial performance of the Group in 2020 and 2019.

3.1.1. Consolidated income statement of Trakcja Group

CONSOLIDATED PROFIT & LOSS ACCOUNT	1.01.2020 - 31.12.2020 <i>Audited</i>	1.01.2019 - 31.12.2019 <i>Modified*</i>	Change	Change %
Sales revenues	1 338 982	1 440 774	(101 792)	-7%
Cost of goods sold	(1 327 676)	(1 511 681)	184 005	-12%
Gross profit (loss) on sales	11 306	(70 907)	82 213	-116%
Cost of sales, marketing and distribution	(5 916)	(5 758)	(158)	3%
General and administrative costs	(60 919)	(64 026)	3 107	-5%
Other operating revenues	11 109	6 695	4 414	66%
Other operating costs	(7 008)	(16 212)	9 204	-57%
Goodwill impairment	(38 735)	(138 182)	99 447	-72%
Operating profit (loss)	(90 163)	(288 390)	198 227	-69%
Financial revenues	623	3 941	(3 318)	-84%
Financial costs	(30 318)	(28 920)	(1 398)	5%
Gross profit (loss)	(119 858)	(313 369)	193 511	-62%
Income tax	9 872	28 321	(18 449)	-65%
Net profit (loss) for the period	(109 986)	(285 048)	175 062	-61%

**The restatement in 2019 relates to the reclassification of costs between costs of sale, marketing and distribution as well as general management costs on one hand and own cost of sales on the other hand (for more information, see note 10 of the annual consolidated financial statement of Trakcja Group for 2020)*

In 2020, the Trakcja Group achieved revenues in the amount of PLN 1,338,982 thousand which have decreased by 7% against an analogous period last year. The Company's sales expenses during the twelve months of 2020 have decreased by 12% and achieved the value of PLN 1,327,676 thousand.

The total gross result on sales of the Group in 2020 has achieved the value of PLN 11,306 thousand, which has increased by PLN 82,213 thousand against an analogous period last year, which amounted to PLN -70,907 thousand. The gross profit margin on sales during the period in question amounted to 0.8% against -4.9% during the comparable period.

The greatest impact on the total gross result on sales in 2020 is attributed to factors associated with the situation at the Parent Company and its largest subsidiary, AB Kauno Tiltai.

The Parent Company achieved a negative gross result on sales in 2020 in the amount of PLN -20,456 thousand, which constitutes an increase of PLN 75,100 thousand against 2019. In accordance with current report 3/2021 published on 22 January 2021, some of the most important factors which bore an impact on the negative gross

result on sales are: updating of contract budgets effected in the IV quarter of 2020, the impact of which amounted to PLN -23,347 thousand. The most significant impact was borne by the valuation of the railroad contract, implemented in accordance with the "design and build" formula – following the performance of a significant part of designing work and geotechnical tests, deviations from the conditions presented by the contracting entity in the terms of reference (tender specification) were found, which entailed the necessity of performing unforeseen work associated with the reinforcement of the grounds, railroad traffic control, modernization of engineering structures. Moreover, an important contributing factor on the gross result on sales during the period in question was the increase of fixed expenses caused by the extension of contract performance deadlines at the Company, which, inter alia, resulting from the prolonged negotiations process with financial institutions within the framework of the second funding round, resulting in turn in an insufficient level of the funding of working capital, which had an impact on a drop of the sales level. The extension of contract performance deadlines was also caused by factors associated with the performance of other parallel infrastructure investment projects bearing an impact on modifications of project schedules by an overlapping of performance of other branches outside the scope of the Company's works (for example, railroad traffic control) and worsening of the availability of materials as a result of an accumulation of work in the infrastructure industry, as well as continuous restrictions resulting from the SARS-CoV-2 pandemic, including: extended periods of obtaining administrative decisions, disruptions in the rate of acceptance works as a result of partial remote work, restricted access of sub-contractors to foreign workers.

A factor which bore a favourable impact on the gross result on sales during the period in question within the Trakcja Group was the situation within the Lithuanian Kauno Tiltai Group, which generated a gross result on sales in the amount of PLN 29,450 thousand, which amounts to an increase by PLN 20,181 thousand against 2019. The primary factor was a significantly greater orderbook than in 2019 with which the Kauno Group commenced in the year 2020 and a smaller, than during the previous year, share of low-margin projects solicited during 2016 – 2017.

The expenses of sales, marketing and distribution were at a level of PLN 5,916 thousand, greater by 3% against a comparable period. Total management expenses amounted to PLN 60,919 thousand, which entails a 5% drop, that is, by the amount of PLN 3,107 thousand as compared against 2019. The decrease of expenses was primarily caused by a decrease of expenses by PLN 1,727 thousand at the Parent Company, which primarily follows from lower consulting and legal expenses – by PLN 1,616 thousand as compared against 2019, associated with the restructuring of the Company's funding process. The Kauno Tiltai Group also noted a drop in management expenses by PLN 618 thousand, which was the result of the introduction of staff expenses optimization during the first half of 2020.

Other operating revenue for the 12 months of 2020 was greater by PLN 4,414 thousand against the comparable period and amounted to PLN 11,109 thousand. Other operating expenses achieved the value of PLN 7,008 thousand in 2020 and decreased by 57%, that is, PLN 9,204 thousand against the previous year's expenses. The increase of other operating revenue follows from the recognition by the Parent Company of revenue from the valuation of real property in the amount of PLN 1,014 thousand and revenue from a licence agreement in the amount of PLN 1,964 thousand. The increase of other operating revenue was also caused by the fact that subsidiaries received additional funding for wages and an exemption from ZUS (social security) expenses within the framework of aid provided to entrepreneurs in connection with the SARS-CoV-2 pandemic- a total amount of PLN 1,326 thousand.

The Group finished the year 2020 with a loss on operating activities in the amount of PLN 90,163 thousand, which entails an improvement of the result on operating activities by PLN 198,227 thousand against the analogous period of the previous year, in which the loss amounted to PLN 288,390 thousand. Apart from the above-described factors, an increase of the result on operating activities was caused by the creation of the

valuation write-off of the Company's goodwill in the amount of PLN - 38,735 thousand charged against the result for 2020.

The Group's financial revenues for 2020 achieved the value of PLN 623 thousand and dropped by 84%, that is, by PLN 3,318 thousand against revenue in 2019, when it achieved a value of PLN 3,941 thousand. Financial expenses during the period in question increased by 5% and achieved the value of PLN 30,318 thousand. The drop of financial revenues primarily follows from lower, by PLN 2,525 thousand, revenue from the discount of the financial asset, i.e. a concession agreement. The increase of financial expenses was the effect of increased interest expenses under credits and loans, which increased by PLN 3,148 thousand and reached the value of PLN 11,625 thousand in 2020.

The Group had a gross loss of PLN 119,858 thousand from 1 January to 31 December 2020, which entails an improvement of the result by PLN 193,511 thousand against the analogous period during last year, when the Group had a gross loss in the amount of PLN 313,369 thousand.

Income tax in 2020 had a positive impact on the net result in the amount of PLN 9,872 thousand, similarly as in 2019, when it amounted to PLN 28,321 thousand.

The Trakcja Group had a net loss of PLN 109,986 thousand for 2020. The Group's net loss decreased by 61% in comparison with 2019.

3.1.2. Consolidated balance sheet of Trakcja Group

The table below presents the assets reported in the annual consolidated statement of financial position of Trakcja Group.

CONSOLIDATED ASSETS	31.12.2020 Audited	31.12.2019 Audited	Change	Change %
Non-current assets	581 319	596 366	(15 047)	-3%
Tangible non-current assets	285 257	286 228	(971)	0%
Investment properties	26 587	22 447	4 140	18%
Goodwill from consolidation	138 537	168 983	(30 446)	-18%
Intangible assets	52 261	51 389	872	2%
Investments in other units	27	25	2	8%
Other financial assets	6 425	6 202	223	4%
Deferred tax assets	63 607	54 755	8 852	16%
Long-term receivables	104	158	(54)	-34%
Prepayments	8 514	6 179	2 335	38%
Current assets	896 437	887 954	8 483	1%
Inventory	113 145	135 390	(22 245)	-16%
Trade and other receivables	420 101	399 749	20 352	5%
Income tax receivables	968	-	968	-
Other financial assets	4 640	12 699	(8 059)	-63%
Cash and cash equivalents	136 178	107 473	28 705	27%
Prepayments	13 095	16 574	(3 479)	-21%
Assets due to contracts with clients	203 273	211 032	(7 759)	-4%
Assets held for sale	5 037	5 037	-	0%
TOTAL ASSETS	1 477 756	1 484 320	(6 564)	0%

As at 31 December 2020, the balance sheet sum of the Trakcja Group achieved the value of PLN 1,477,756 thousand and has decreased by PLN 6,564 thousand as compared against the end of 2019. Fixed assets have decreased by an amount of PLN 15,047 thousand in comparison with 2019, achieving the value of PLN 581,3019

thousand as at 31 December 2020. Current assets increased by PLN 8,483 thousand in 2020 and achieved a value of PLN 896,437 thousand.

The greatest increase among fixed assets concerned deferred income tax assets, which increased by PLN 8,852 thousand as compared against the end of 2019. The company's goodwill under consolidation has decreased by PLN 30,466 thousand, which amounted to PLN 138,537 thousand as at 31 December 2020.

The value of current assets has increased against the previous year by an amount of PLN 8,483 thousand, which entails an increase of 1%. The greatest increase concerns cash and its equivalents, which reached a value of PLN 136,178 thousand on the balance sheet date and increased by PLN 28,705 thousand, that is, by 27% as compared to 31 December 2019. The value of trade receivables and of other receivables has increased by PLN 20,352 thousand and their value amounted to PLN 420,101 thousand as at the balance sheet date.

The greatest decrease in current assets concerned inventory, the value of which amounted to PLN 113,145 thousand as at the balance sheet date, which entails a decrease of PLN 22,245 thousand, that is, by 16% as compared to the end of 2019.

The table below presents the equity and liabilities reported in the annual consolidated statement of financial position of Trakcja Group.

CONSOLIDATED EQUITY AND LIABILITIES	31.12.2020 Audited	31.12.2019 Audited	Change	Change %
Equity attributable to shareholders of parent entity	331 594	420 243	(88 649)	-21%
Share capital	69 161	69 161	-	0%
Share premium account	-	340 561	(340 561)	-100%
Revaluation reserve	7 082	7 082	-	0%
Other capital reserves	329 955	276 188	53 767	19%
Retained earnings	(109 785)	(285 430)	175 645	-62%
Foreign exchange differences on translation of foreign operations	35 181	12 681	22 500	177%
Non-controlling interests	5 522	5 241	281	5%
Total equity	337 116	425 484	(88 368)	-21%
Total liabilities	1 140 640	1 058 836	81 804	8%
Long-term liabilities	340 847	232 816	108 031	46%
Interest-bearing bank loans and borrowings	281 152	207 857	73 295	35%
Bonds	27 832	-	27 832	-
Provisions	21 355	14 093	7 262	52%
Liabilities due to employee benefits	3 690	4 094	(404)	-10%
Provision for deferred tax	4 998	6 727	(1 729)	-26%
Derivative financial instruments	-	8	(8)	-100%
Accruals	1 792	-	1 792	-
Other liabilities	28	37	(9)	-24%
Short-term liabilities	799 793	826 020	(26 227)	-3%
Interest-bearing bank loans and borrowings	86 131	153 790	(67 659)	-44%
Bonds	194	-	194	-
Trade and other liabilities	436 658	408 766	27 892	7%
Provisions	53 706	94 773	(41 067)	-43%
Liabilities due to employee benefits	16 468	13 574	2 894	21%
Income tax liabilities	-	238	(238)	-100%
Other financial liabilities	112	123	(11)	-9%
Accruals	5 973	506	5 467	1080%
Liabilities due to contracts with clients	200 551	154 250	46 301	30%
Total equity and liabilities	1 477 756	1 484 320	(6 564)	0%

The Group's equity as at 31 December 2020 decreased by PLN 88,368 thousand, that is, by 21% as compared to 31 December 2019, which follows from the net loss in 2020 in the amount of PLN 109,986 thousand and increase of exchange rates from the calculation of foreign units by PLN 22,500 thousand. The surplus from the sales of stock above nominal value in the amount of PLN 340,561 thousand at the end of 2019 was fully transferred to other reserve capitals, the level of which, following coverage of the 2019 loss in 2020, achieved a value of PLN 329,955 thousand as at the balance sheet date, which constitutes an increase by 19% in comparison with the end of 2019.

Long-term liabilities have reached a level of PLN 340,847 thousand as at 31 December 2020 and have increased by an amount of PLN 108,031 thousand compared to 31 December 2019. This increase has been primarily caused by the value of interest-bearing long-term credits and loans by an amount of PLN 73,295 thousand, which was the result of a partial carrying forward of some liabilities resulting from credits and loans during 2020,

classified on 31 December 2019 as short-term. Additionally, the Group recognized in the balance sheet as at 31 December 2020 liabilities in the amount of PLN 27,832 thousand due to the issue of bonds by the Parent Company.

Long-term liabilities have reached a level of PLN 340,847 thousand as at 31 December 2020 and have increased by an amount of PLN 108,031 thousand compared to 31 December 2019. This increase has been primarily caused by the value of interest-bearing long-term credits and loans by an amount of PLN 73,295 thousand, which was the result of a partial carrying forward of some liabilities resulting from credits and loans during 2020, classified on 31 December 2019 as short-term. Additionally, the Group recognized in the balance sheet as at 31 December 2020 liabilities in the amount of PLN 27,832 thousand due to the issue of bonds by the Parent Company.

Short-term liabilities have reached a level of PLN 799,793 thousand as at the balance sheet date, which constitutes a decrease by PLN 26,227 thousand, that is, by 3%, compared to 2019. The greatest decrease concerns interest-bearing short-term credits and loans, the value of which amounted to PLN 86,131 thousand as at 31 December 2020, influenced by the above-mentioned re-classification of some liabilities resulting from credits and loans. The value of short-term provisions has decreased by PLN 41,067 thousand, that is, by 43%, which amounted to PLN 53,706 thousand as at the balance sheet date. Liabilities under contracts with customers amounted to PLN 200,551 thousand at the end of 2020 and have increased by PLN 46,301 thousand against the comparable year. The value of trade liabilities and other liabilities has also increased, which amounted to PLN 436,658 thousand as at 31 December 2020, which constitutes an increase of PLN 27,892 thousand compared to 31 December 2019.

3.1.3. Profitability ratios

The gross profit margin on sales in 2020 increased by 5.7 p.p. against the previous year and amounted 0.8%. The profit (loss) on operating activities, increased by depreciation and write-down of the company's goodwill amounted to PLN – 13,700 thousand and increased by PLN 98,432 thousand compared to 2019. The EBITDA profit margin in 2020 was greater by 6.8 p.p. than in 2019 and achieved a level of -1%. The operating profit margin in 2020 amounted to -6.7% and was greater by 13.3 p.p. compared to 2019. The net profit margin increased by 11.6 p.p., reaching a level of -8.2% as against -19.8% in 2019. The ROE increased by 24.2 p.p. in comparison with the previous year and was at a negative value of -29.3%, and the ROA achieved a level of -7.4% and was greater by 11.4 p.p. than the analogous ratio during the previous year.

PROFITABILITY RATIOS	31.12.2020 Audited	31.12.2019 Modified	Change
Gross sales profit margin	0,8%	-4,9%	5,7 p.p.
EBITDA	(13 700)	(112 132)	98 432
EBITDA profit margin	-1,0%	-7,8%	6,8 p.p.
Operating profit margin	-6,7%	-20,0%	13,3 p.p.
Net profit margin	-8,2%	-19,8%	11,6 p.p.
Return on equity (ROE)	-29,3%	-53,5%	24,2 p.p.
Return on assets (ROA)	-7,4%	-18,8%	11,4 p.p.

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

EBITDA = operating profit + depreciation/amortisation + impairment loss on goodwill

EBITDA margin = (operating profit + amortisation/depreciation + impairment loss on goodwill) / sales revenue

Operating profit margin = operating profit / sales revenue

Net profit margin = net profit / sales revenue

Return on equity (ROE) = net profit attributable to shareholders of the Parent Company / average equity attributable to shareholders of the Parent Company

Return on assets (ROA) = net profit attributable to shareholders of the Parent Company / average assets

3.1.4. Consolidated statement of cash flows of Trakcja Group

The key items of the Trakcja Group's consolidated statement of cash flows for years ended 31 December 2020 and 31 December 2019 are presented in the table below.

CONSOLIDATED CASH FLOW ACCOUNT	1.01.2020 - 31.12.2020 <i>Audited</i>	1.01.2019 - 31.12.2019 <i>Audited</i>	Change	Change %
Cash at start of period	107 461	116 675	(9 214)	-8%
Net cash flows from operating activities	37 174	(190 108)	227 282	-120%
Net cash flows from investment activities	2 272	4 601	(2 329)	-51%
Net cash flows from financial activities	(11 001)	176 293	(187 294)	-106%
Total net cash flows	28 445	(9 214)	37 659	-409%
Cash at end of period	135 906	107 461	28 445	26%

In 2020, the net cash flow balance from operating activities amounted to PLN 37,174 thousand, which entails an increase of PLN 227,282 thousand compared to 2019.

In 2020, the Group disclosed a positive net cash flow balance from financial activities in the amount of PLN 2,272 thousand, and in 2019, the positive cash flow balance from investment activities amounted to PLN 4,601 thousand.

In 2020, the net cash flow balance from financial activities was negative and amounted to PLN -11,001 thousand. This balance decreased in 2020 by an amount of PLN 187,294 thousand compared to the balance of the analogous period during the previous year.

The Group opened the year 2020 with funds disclosed in the consolidated cash flow statement in a total amount of PLN 107,461 thousand, and finished 2020 by disclosing in the consolidated cash flow statement cash in the amount of PLN 135,906 thousand. The level of total cash increased in 2020 by the amount of PLN 28,445 thousand.

3.2. Structure of assets, equity and liabilities in the consolidated balance sheet, including from the perspective of the Group's liquidity

As at 31 December 2020, the share of non-current assets in the structure of assets decreased as compared to 31 December 2019. Property, plant and equipment represent the largest share in the structure of non-current assets - about 49% (31 December 2019: 48%). Trade and other receivables, and assets from contracts with customers represent the largest components of current assets – approx. 47% (31 December 2019: 45%) and 23% (31 December 2019: 24%), respectively.

As at 31 December 2020, equity accounts for 23% of total equity and liabilities (31 December 2019: 29%), long-term liabilities – for 23% (31 December 2019: 16%), and short-term liabilities – for 54% (31 December 2019: 56%). Trade and other liabilities represent the largest component of short-term liabilities, accounting for 30% of total equity and liabilities (31 December 2019: 28%).

3.2.1. Liquidity ratios

The working capital at the Trakcja Group at the end of 2020 achieved the level of PLN 102,617 thousand and was greater by PLN 40,177 thousand in comparison with the previous year.

The current liquidity ratio at the end of 2020 amounted to 1.12 and was greater by 0.05 than the current liquidity ratio in 2019. The quick liquidity ratio increased more rapidly by 0.07 and achieved the level of 0.98. The cash ratio increased by 0.04 in comparison with the previous year and achieved a level of 0.17. The cash ratio informs that the Group would have been able to immediately pay off 17% of its liabilities from the held cash.

LIQUIDITY RATIOS	31.12.2020 Audited	31.12.2019 Audited	Change
Working capital	102 617	62 440	40 177
Current ratio	1.12	1.07	0.05
Quick ratio	0.98	0.91	0.07
Cash ratio	0.17	0.13	0.04

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

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

Current ratio = current assets / short-term liabilities

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

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

3.2.2. Financing structure ratios

The Group monitors its capital structure using the financing structure ratios.

The equity to assets ratio decreased in 2020 in comparison with the previous year and amounted to 0.22. The equity to fixed assets ratio decreased by 0.13 and amounted to 0.57. The total debt ratio increased and was at a level of 0.78 at the end of 2020. This means that the Group's assets are funded in 78% by external funding sources – liabilities. The debt to equity ratio at the end of 2020 was at a level of 3.46.

FINANCING STRUCTURE RATIOS	31.12.2020 Audited	31.12.2019 Audited	Change
Equity to assets ratio	0.22	0.28	-0.06
Equity to non-current assets ratio	0.57	0.70	-0.13
Debt ratio	0.78	0.72	0.06
Debt to equity ratio	3.46	2.53	0.93

The above have been calculated in accordance with the following formulas:

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

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

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

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

3.3. Financial performance of the Parent Company in 2020

In order to provide a comprehensive view of the Parent Company's financial position, alternative performance measures (APMs) were applied. In the Company's opinion, they provide material information on the financial position, operating efficiency, profitability and liquidity, and should be analysed only as complementary financial information. They should be read in conjunction with the Company's financial statements.

The Company believes that the APMs presented are a source of additional, valuable information on its financial standing, and facilitate the analysis and evaluation of the financial performance of the Company in 2019 and 2020.

3.3.1. Overview of the income statement

PROFIT AND LOSS ACCOUNT	1.01.2020 - 31.12.2020 <i>Audited</i>	1.01.2019 - 31.12.2019 <i>Modified*</i>	Change	Change %
Sales revenue	652 753	834 210	(181 457)	-22%
Cost of goods sold	(673 209)	(929 766)	256 557	-28%
Gross profit (loss) on sales	(20 456)	(95 556)	75 100	-79%
Cost of sales, marketing and distribution	(2 186)	(2 338)	152	-7%
General and administrative costs	(31 985)	(33 712)	1 727	-5%
Other operating revenues	5 188	3 446	1 742	51%
Other operating costs	(5 118)	(13 049)	7 931	-61%
Operating profit (loss)	(54 557)	(141 209)	86 652	-61%
Financial revenues	2 613	5 162	(2 549)	-49%
Financial costs	(27 142)	(139 519)	112 377	-81%
Gross profit (loss)	(79 086)	(275 566)	196 480	-71%
Income tax	8 605	25 888	(17 283)	-67%
Net profit for the period	(70 481)	(249 678)	179 197	-72%

*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 note 9 of the annual standalone financial statement of Trakcja S.A. for 2020)

In 2020, Trakcja S.A. achieved revenues at a level of PLN 652,753 thousand, which decreased by 22% in comparison with the analogous period during the previous year. Sales expenses during the period in question decreased by 28% and was at a level of PLN 673,209 thousand. The gross profit margin on sales during the period in question amounted to -3.1%, and had a value of -11.5% during the analogous period in 2019. The gross loss on sales in 2020 amounted to PLN 20,456 thousand and decreased by PLN 75,100 thousand, that is, 79% compared to 2019.

In accordance with current report 3/2021 published on 22 January 2021, some of the most important factors which bore an impact on the level of the gross profit margin on sales in 2020 are: updating of contract budgets effected in the IV quarter of 2020, the impact of which amounted to PLN -23,347 thousand. The most significant impact was borne by the valuation of the railroad contract, implemented in accordance with the "design and build" formula – following the performance of a significant part of designing work and geotechnical tests, deviations from the conditions presented by the contracting entity in the terms of reference (tender specification) were found, which entailed the necessity of performing unforeseen work associated with the reinforcement of the grounds, railroad traffic control, modernization of engineering structures. Moreover, an important contributing factor on the gross result on sales during the period in question was the increase of fixed expenses caused by the extension of contract performance deadlines at the Company, which, inter alia, resulted from the prolonged negotiations process with financial institutions within the framework of the second funding round, resulting in turn in an insufficient level of the funding of working capital, which had an impact on a drop of the sales level. The extension of contract performance deadlines was also caused by factors associated with the performance of other parallel infrastructure investment projects bearing an impact on modifications of project schedules by an overlapping of performance of other branches outside the scope of the Company's works (for example, railroad traffic control) and worsening of the availability of materials as a result of an accumulation of work in the infrastructure industry, as well as continuous restrictions resulting from the SARS-CoV-2 pandemic, including: extended period of obtaining administrative decisions, disruptions in the rate of acceptance works as a result of partial remote work, restricted access of sub-contractors to foreign workers. Overall management expenses in 2020 amounted to PLN 31,985 thousand and decreased by PLN 1,727 thousand, that is, 5% against the previous year. The decrease of expenses was primarily caused by lower consulting and legal expenses – by PLN 1,616 thousand as compared against 2019, associated with the

restructuring of the Company's funding process. The expenses of sales, marketing and distribution during the period in question achieved a level of PLN 2,186 thousand and increased by PLN 152 thousand compared to the analogous period during the previous year.

The balance of other operating activities in 2020 amounted to PLN 70,000 thousand and increased by PLN 9,673 thousand against the comparable period. The increase of the balance follows from the recognition by the Parent Company of revenue from the valuation of real property situated at ulica Skaryszewska and Pożarowa in the amount of PLN 1,014 thousand and revenue from a licence agreement in the amount of PLN 1,964 thousand.

Loss on operating activities in 2020 amounted to PLN 54,557 thousand, and losses on operating activities during the previous year amounted to PLN 141,209 thousand.

During the 12 months of 2020, the Company achieved financial revenues in the amount of PLN 2,613 thousand, which were lower by 49% in comparison with the analogous period during the previous year, primarily due to lower revenues from dividends by PLN 2,308 thousand. Financial expenses during the period in question decreased by PLN 112,377 thousand against the comparable period. This is associated with the creation of revaluation write-offs on the value of investments in the following subsidiaries: AB Kauno Tiltai and Bahn Technik Wrocław sp. z o.o., in a total amount of PLN 114,187 thousand, charged against the result of 2019.

In 2020, the Company disclosed a gross loss in the amount of PLN 79,086 thousand. This result was greater by PLN 196,480 thousand in comparison with the previous year, in which the Company disclosed a gross loss in the amount of PLN 275,566 thousand.

The Company finished 2020 with a net loss in the amount of PLN 70,481 thousand and net profit margin at a level of -10.8%, compared to -29.9% in 2019.

3.3.2. Overview of the balance sheet

The table below presents the key items of the Trakcja's balance sheet as at 31 December 2020 in comparison with their balances as at 31 December 2019:

ASSETS	31.12.2020 <i>Audited</i>	31.12.2019 <i>Audited</i>	Change	Change %
Non-current assets	614 064	614 028	36	0%
Tangible non-current assets	158 946	167 605	(8 659)	-5%
Intangible assets	51 255	50 510	745	1%
Investment properties	23 981	19 789	4 192	21%
Investments in subsidiaries	307 453	311 308	(3 855)	-1%
Other financial assets	6 241	8 340	(2 099)	-25%
Deferred tax assets	59 765	51 162	8 603	17%
Accruals	6 423	5 314	1 109	21%
Current assets	520 523	614 433	(93 910)	-15%
Inventory	46 494	64 720	(18 226)	-28%
Trade and other receivables	307 855	297 327	10 528	4%
Other financial assets	8 481	11 777	(3 296)	-28%
Cash and cash equivalents	6 693	47 514	(40 821)	-86%
Accruals	8 862	12 813	(3 951)	-31%
Contracts with customers assets	137 101	175 245	(38 144)	-22%
Assets held for sale	5 037	5 037	-	0%
TOTAL ASSETS	1 134 587	1 228 461	(93 874)	-8%

As at 31 December 2020, the balance sheet sum of Trakcja S.A., achieved the value of PLN 1,134,587 thousand and decreased by PLN 93,874 thousand in comparison with the end of 2019, which constitutes a decrease by 8%.

Fixed assets have achieved a value of PLN 614,064 thousand and increased by an amount of PLN 36 thousand in comparison with the previous year. The greatest increase among fixed assets concerned deferred income tax assets. The greatest drop has been noted among intangible fixed assets, the value of which amounted to PLN 158,946 thousand as at the balance sheet date, which means it has decreased by PLN 8,659 thousand as compared to 31 December 2019.

The value of current assets as at 31 December 2020 have achieved a value of PLN 520,523 thousand and have decreased by PLN 93,910 thousand, that is, by 15%, as compared to 31 December 2019. The greatest changes among current assets have taken place as regards cash and equivalents, which have decreased by PLN 40,821 thousand, reaching a value of PLN 6,693 thousand. Assets in the form of contracts with customers have decreased by PLN 38,144 thousand, which amounted to PLN 137,101 thousand as at the balance sheet date. The greatest increase among current assets during the period under scrutiny was among trade receivables and other receivables, which increased by PLN 10,528 thousand against the comparable period.

Equity and liabilities	31.12.2020 Audited	31.12.2019 Audited	Change	Change %
Equity	279 645	349 925	(70 280)	-20%
Share capital	69 161	69 161	-	0%
Share premium account	-	340 561	(340 561)	-100%
Revaluation reserve	7 082	7 082	-	0%
Other capital reserves	273 883	182 823	91 060	50%
Retained earnings	(70 481)	(249 678)	179 197	-72%
Foreign exchange differences on translation of foreign operations	-	(24)	24	-100%
Total equity	279 645	349 925	(70 280)	-20%
Total liabilities	854 942	878 536	(23 594)	-3%
Long-term liabilities	294 482	204 242	90 240	44%
Interest-bearing loans and borrowings	263 881	199 909	63 972	32%
Bonds	27 832	-	27 832	-
Provisions	2 289	3 102	(813)	-26%
Liabilities due to employee benefits	480	1 231	(751)	-61%
Short-term liabilities	560 460	674 294	(113 834)	-17%
Interest-bearing loans and borrowings	94 610	159 479	(64 869)	-41%
Bonds	194	-	194	-
Trade and other liabilities	302 052	293 598	8 454	3%
Provisions	42 133	86 440	(44 307)	-51%
Liabilities due to employee benefits	9 658	7 867	1 791	23%
Accruals	716	455	261	57%
Contracts with customers liabilities	111 097	126 455	(15 358)	-12%
TOTAL EQUITY AND LIABILITIES	1 134 587	1 228 461	(93 874)	-8%

The Company's equity as at 31 December 2020 achieved the value of PLN 279,645 thousand and decreased by PLN 70,280 thousand, that is, by 20% as compared to 31 December 2019, which follows from the net loss in 2020 in the amount of PLN 70,481 thousand. The surplus from the sales of stock above nominal value in the amount of PLN 340,561 thousand at the end of 2019 was fully transferred to other reserve capitals, the level of which, following coverage of the 2019 loss in 2020, achieved a value of PLN 273,883 thousand as at the balance sheet date.

Long-term liabilities have reached a level of PLN 294,482 thousand as at the balance sheet date and have increased by an amount of PLN 90,240 thousand, that is, by 44% compared to the end of 2019. This increase has been primarily caused by the increase of liabilities under interest-bearing long-term credits and loans by an amount of PLN 63,972 thousand, which was the result of a partial carrying forward of some liabilities resulting from credits and loans during 2020, classified on 31 December 2019 as short-term. The issue of convertible bonds for series F and G stock of a nominal value of PLN 27,674 thousand also has had an impact on the amount of liabilities. The amount recognized in this regard in long-term liabilities as at 31 December 2020 amounted to PLN 27,832 thousand.

Short-term liabilities have reached a level of PLN 560,460 thousand as at 31 December 2020 and have decreased by PLN 113,834 thousand, that is, by 17% in comparison with the end of the previous year. The following contributed to this decrease: the aforementioned reclassification of some liabilities under credits and loans and a decrease of provisions by an amount of PLN 44,307 thousand, that is, by 51%, which as at the balance sheet date achieved a value of PLN 42,133 thousand.

3.3.3. Overview of the statement of cash flows

The key items of Trakcja's statement of cash flows for years ended 31 December 2020 and 2019 are presented in the table below.

CASH FLOW STATEMENT	1.01.2020 - 31.12.2020 Audited	1.01.2019 - 31.12.2019 Audited	Change	Change %
Cash at start of period	47 514	61 451	(13 937)	-23%
Net cash flows from operating activities	(45 355)	(187 949)	142 594	-76%
Net cash flows from investment activities	3 802	(4 280)	8 082	-189%
Net cash flows from financial activities	732	178 292	(177 560)	-100%
Total net cash flows	(40 821)	(13 937)	(26 884)	193%
Cash at end of period	6 693	47 514	(40 821)	-86%

The Company commenced 2020 with cash in the amount of PLN 47,514 thousand, and ended the said period with cash in the amount of PLN 6,693 thousand.

The total net cash flows during the period in question were negative and amounted to PLN 40,821 thousand.

In 2020, the net cash flow balance from operating activities was negative and amounted to PLN 45,355 thousand, which is an increase of PLN 142,594 thousand against the analogous period of the previous year.

Net cash flows from investment activities in 2020 disclosed a balance of PLN 3,802 thousand, and during the comparable period in 2019 the net cash flows from investment activities were negative and amounted to PLN 4,280 thousand.

Net cash flows from financial activities in 2020 achieved a positive balance, which amounted to PLN 732 thousand, which means a decrease by PLN 177,560 thousand against 2019.

3.4. Financial ratios of Trakcja

3.4.1. Profitability ratios

The gross profit margin on sales increased to the level of PLN -3.13% in 2020 against -11.45% during the analogous period of the previous year. The profit on operating activities increased by depreciation, increased by PLN 86,449 thousand, reaching a value of PLN -34,336 thousand, and the EBIDTA profit margin increased by 9.22 p.p., reaching a level of -5.26%. The profit margin on operating activities increased by 8.57 p.p. and achieved the value of -8.36%. The net profit margin during the period in question achieved a value of -10.80%, which constitutes an increase by 19.13 p.p. against 2019.

The ROE amounted to -22.39% and increased in comparison with the analogous period for the previous year by 33.74 p.p. The ROA has increased by 14.12 p.p. and reached a value of -5.97%.

PROFITABILITY RATIOS	31.12.2020 Audited	31.12.2019 Audited	Change
Gross sales profit margin	-3.13%	-12.44%	9.31 p.p.
EBITDA	(34 336)	(86 986)	52 650
EBITDA profit margin	-5.26%	-8.66%	3.40 p.p.
Operating profit margin	-8.36%	-10.11%	1.75 p.p.
Net profit margin	-10.80%	-8.63%	-2.17 p.p.
Return in equity (ROE)	-22.39%	-14.80%	-7.59 p.p.
Return on assets (ROA)	-5.97%	-7.33%	1.36 p.p.

These ratios have been calculated using the following formulas:

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

EBITDA = operating profit + amortisation/depreciation

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

Operating profit margin = operating profit / sales revenue

Net profit margin = net profit / sales revenue

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

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

3.4.2. Liquidity ratios

The working capital at Trakcja S.A. as at 31 December 2020 achieved the level of PLN -39,221 thousand and was greater by PLN 20,185 thousand compared to the previous year.

The current liquidity ratio as at 31 December 2020 amounted to 0.93 and was greater by 0.08 than the analogous ratio at the end of 2019. The quick liquidity ratio increased more rapidly by 0.08 and achieved the level of 0.85. The cash ratio decreased to 0.01. This ratio informs that the Company would have been able to immediately pay off 1% of its liabilities from the held cash.

LIQUIDITY RATIOS	31.12.2020 Audited	31.12.2019 Audited	Change
Working capital	(39 221)	(96 158)	56 937
Current ratio	0.93	0.85	0.08
Quick ratio	0.85	0.77	0.08
Cash ratio	0.01	0.09	(0.08)

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

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

Current ratio = current assets / short-term liabilities

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

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

3.4.3. Financing structure ratios

The Company monitors its capital structure using the financing structure ratios.

The equity to assets ratio as at 31 December 2020 amounted to 0.25 and decreased against the end of the comparable year by 0.03. The equity to fixed assets ratio decreased in comparison with 31 December 2019 by 0.11. The total debt ratio at the end of 2020 increased by 0.03 against 2019 and was at a level of 0.75. The debt to equity ratio also increased from 2.51 at the end of 2019 to the level of 3.06 at the end of 2020.

Financing structure ratios	31.12.2019 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 have been calculated in accordance with the following formulas:

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

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

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

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

3.5. Assessment of financial resources management

At the end of 2020, Trakcja Group held cash of PLN 136,178 thousand and, at the same time, total debt on account of credits, loans and finance leases amounted to PLN 395,309 thousand. The Group maintains the level of external financing as well as financial liquidity that allow it to execute its current contract portfolio.

As at the balance sheet date, the Group had at its disposal undrawn credit lines (overdrafts and working capital facilities) in the amount of PLN 84.7 million, which ensures continuity of financing of current operations for the Trakcja Group companies.

In addition to activities that contribute to the improvement of future financial performance, the Parent Company's Management Board is primarily focused on the Company's liquidity situation. The Parent Company pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long-term perspective, aiming at maintaining a stable level of available financing. In order to maintain liquidity, the Parent Company, when seeking new contracts, pays particular attention to their financing terms, in particular the ability to obtain advance payments. The Parent Company places great emphasis on shortening the period between the completion of works and their invoicing. The Parent Company uses newly obtained means of long-term financing to reduce past due liabilities and identify work on construction contracts.

Note 10 of the Additional information and explanations to the standalone financial statement for 2020 and note 11 of the Additional information and explanations to the consolidated financial statement for 2020 include details related to the process of measures taken in respect of long-term financing. Information indicating the risk of going concern was presented in the aforementioned notes of the standalone and consolidated financial statements for 2020.

3.6. Assessment of factors and non-recurring events having an impact on the Trakcja Group's performance in 2020

The key factors and non-recurring events affecting the Trakcja Group's performance in 2020 are as follows:

- settlement of the railroad contract implemented by the Issuer according to the "design and build" formula, where – after a substantial part of design works and geotechnical tests had been performed – deviations from the conditions indicated by the principal in the tender specification were identified, which resulted in the necessity to perform unanticipated works related to: soil strengthening, railroad traffic control, modernisation of engineering structures;
- the protracted process of the Company's negotiations with financial institutions as part of the second round of financing resulting in insufficient level of working capital financing, which impacted the reduction in the level of sales;

- ongoing restrictions related to the state of the COVID pandemic, including: longer periods needed in order to obtain administrative decisions; disruptions in works acceptance process by principals due to partial remote working; lower availability of subcontractors employing foreigners (detailed information have been provided in section 2.4 hereof);
- implementation of other, concurrent infrastructural investments resulting in changes to project schedules due to performance by other industries outside the scope of the Company's works (e.g. railroad traffic control) being overlapped and reduced availability of materials as a result of accumulation of works within the infrastructural industry;
- updates to contract budgets for Q4 2020, which decreased the Parent Company's gross profit margin on sales by PLN 23,347 thousand;
- establishing write-offs in respect of "Investments in subsidiaries" in the Company's standalone balance sheet in the amount of PLN thousand 3,855 as well as a write-off in respect of "Goodwill from consolidation" in the consolidated balance sheet of Trakcja Group in the amount of PLN 38,735 thousand;
- conditional increase of the Parent Company's share capital by the amount not higher than PLN 13,023,288 by way of issuing no more than 16,279,110 Series D ordinary bearer's shares with the nominal value of PLN 0.80 each, as registered on February 6, 2020 by the District Court for the City of Warsaw in Warsaw. Series D shares may be subscribed by holders of Series F and G convertible bonds which the Company issued on May 8, 2020;
- the Company's allocation of the following bonds on May 8, 2020:
 - 11,764,705 Series F secured registered bonds convertible into Series D shares of the Parent 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., and
 - 4,514,405 Series G unsecured registered bonds convertible into Series D shares of the Parent 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.

3.7. Assessment of the feasibility of investment plans, including equity investment plans

Based on analyses carried out, the Management Board of the Parent Company believes that Trakcja Group is able to finance its current and future investment plans described in Section 2.7 hereof, both with internally generated funds and with borrowed funds.

3.8. Transactions, hedging instruments and application of hedge accounting

The Group did not conclude cash flow hedging transactions in 2020 and held no derivative instruments as at 31 December 2020.

In 2020, Trakcja Group companies did not apply hedge accounting.

3.9. Explanation of differences between the achieved and projected financial results of Trakcja Group

The Management Board of the Parent Company did not publish forecasts of the Company's and Group's financial results for 2020.

On 22 January 2021 marked the completion of the cyclical review process of long-term contracts and collection of financial data for the purposes of preparing the separate financial statements of Trakcja S.A. for the 12-month

period ending on 31 December 2020. Accordingly, the Company published (current report 3/2021) the preliminary estimates of the Company's financial results for the 12 months of 2020:

Revenue from sales: PLN 652,753 thousand
Gross result from sales: PLN - 18,614 thousand
EBITDA: PLN - 32,089 thousand
Net result: PLN -64,928 thousand

On 1 April 2021, following completion of tests for the impairment of the value of investments at AB Kauno Tiltai, a subsidiary and for the impairment of goodwill, and creation of revaluation write-downs, the Company has published an update (current report 7/2021) of the preliminary estimates of the Company's financial results for the 12 months of 2020:

Revenue from sales: PLN 652,753 thousand
Gross result from sales: PLN - 20,456 thousand
EBITDA: PLN -34,336 thousand
Net result: PLN -70,481 thousand

and preliminary estimated financial results of the Group for the 12 months of 2020:

Revenue from sales: PLN 1,338,982 thousand
Gross result from sales: PLN 11,306 thousand
EBITDA: PLN -13,700 thousand
Net result: PLN -109,986 thousand

These items have not changed in comparison with the data published in this report.

4. SHARES AND SHAREHOLDING STRUCTURE OF TRAKCJA

4.1. Shareholding structure

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.

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.

On February 6, 2020, the District Court for the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered a conditional increase in the share capital of the Parent Company. In connection with the foregoing, the share capital of the Parent Company was conditionally increased from the amount of PLN 69,160,780.80 by the amount not higher than PLN 13,023,288 by way of issuing no more than 16,279,110 Series D ordinary bearer's shares with the nominal value of PLN 0.80 each. Series D shares may be subscribed by holders of Series F and G convertible bonds which the Parent 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 Parent Company.

4.2. Total number and par value of all shares in the Parent Company and shares in the Company's related entities held by members of the Company's management and supervisory bodies

Members of the Company's Management Board and Supervisory Board do not hold any shares in the Parent Company or in subsidiaries of Trakcja Group.

4.3. Agreements regarding potential changes in the shareholding structure

There are no agreements known to the Company's Management Board which may cause future changes in the percentages of shares held by the existing shareholders.

4.4. Employee share schemes

In 2020, Trakcja Group did not operate an employee share scheme.

4.5. Acquisition of treasury shares

In 2020, Trakcja did not acquire treasury shares.

5. OTHER INFORMATION

5.1. Loans and borrowings contracted and terminated

As at the balance sheet date, Trakcja Group had the following loans and borrowings:

Name of Company	Lender Creditor	Type of loan, credit	Amount by currency contracts (in thousands)	Contract Currency	Maturity date	Interests	Amount left to be paid
Trakcja S.A.	COMSA S.A.	Loan from related entities	2 674	PLN	30.12.2021	WIBOR 1M + margin	82
Trakcja S.A.	COMSA S.A.	Loan from related entities	5 000	PLN	30.12.2021	WIBOR 1M + margin	159
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	Loan from related entities	27 600	PLN	31.12.2022	WIBOR 1M + margin	27 651
Trakcja S.A.	mBank S.A.	Working capital credit	15 000	PLN	31.12.2022	WIBOR 1M + margin	14 999
Trakcja S.A.	mBank S.A.	Working capital credit	15 000	PLN	31.12.2022	WIBOR 1M + margin	14 999
Trakcja S.A.	mBank S.A.	Overdraft	20 000	PLN	31.12.2022	WIBOR O/N + margin	2 959
Trakcja S.A.	Pekao S.A.	Overdraft	20 000	PLN	31.12.2022	WIBOR 1M + margin	19 423
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	21 500	PLN	31.12.2022	WIBOR 1M + margin	21 537
Trakcja S.A.	mBank S.A.	Investment credit	21 500	PLN	16.09.2021	WIBOR 1M + margin	3 793
Trakcja S.A.	mBank S.A.	Working capital credit	50 000	PLN	31.12.2022	WIBOR 1M + margin	40 743
Trakcja S.A.	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
Trakcja S.A.	De Lage Landen Leasing Polska S.A.	Investment loan	1 147	PLN	25.04.2020	Variable interest	-
AB Kauno Tiltai	Luminor Bank AB	Working capital credit	4 000	EUR	31.05.2023	EURIBOR 3M + margin	11 390
AB Kauno Tiltai	Luminor Bank AB	Overdraft	12 000	EUR	30.06.2021	EURIBOR 1M + margin	-
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	Idea Getin Leasing	Loan from related entities	244	PLN	15.06.2024	WIBOR 1M + margin	181
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	Overdraft	3 000	PLN	31.12.2022	WIBOR 1M + margin	-
PDM S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	2 500	PLN	31.12.2022	WIBOR 1M + margin	2 500
Dalba Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	1 000	PLN	31.12.2022	WIBOR 1M + margin	1 000
Dalba Sp. z o.o.	Polski Fundusz Rozwoju S.A.	Loan from related entities	814	PLN	31.05.2023	Interest-free	814
Bahn Technik Wrocław Sp. z o.o.	Plasser & Theurer, Export von Bahnbaumaschinen, Gesellschaft m.b.H.	Investment loan	1 800	EUR	31.12.2020	Fixed interest rate	246
Bahn Technik Wrocław Sp. z o.o.	mLeasing	Loan from related entities	16 397	PLN	15.03.2025	WIBOR 1M + margin	12 871
Bahn Technik Wrocław Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	2 000	PLN	31.12.2022	WIBOR 1M + margin	2 000
Bahn Technik Wrocław Sp. z o.o.	Polski Fundusz Rozwoju S.A.	Loan from related entities	1 412	PLN	31.05.2023	Interest-free	1 412
Torprojekt Sp. z o.o.	Polski Fundusz Rozwoju S.A.	Loan from related entities	1 180	PLN	13.05.2023	Interest-free	1 051
PRK 7 Nieruchomości Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	4 000	PLN	31.12.2022	WIBOR 1M + margin	4 000
Total							276 570

Loans and borrowings contracted in 2020

In the reporting period, companies from Trakcja Group executed no new loan agreements with financing institutions.

In 2020, the Group received PLN 3,4 million as public aid in the form of financial subsidies granted by Polski Fundusz Rozwoju [PFR] S.A. (Polish Development Fund Joint Stock Company) within the framework of "Tarcza finansowa PFR" ["PFR Financial Shield"]. The companies covered by the programme: Torprojekt sp. z o.o., Bahn Technik Wrocław sp. z o.o. and Dalba sp. z o.o.

In 2020 BTW sp. z o.o., a subsidiary, concluded a leaseback concerning specialized machinery possessed by the company, under which it received funds in the amount of PLN 15,000 thousand. Next, BTW granted the Parent Company a loan in the amount of PLN 11,000 thousand.

The Parent Company executed the following amendments:

- Annex dated 6 May 2020 to the Open-End Credit Agreement concerning, inter alia: changes of definitions, changes in the share of Issuers of Guaranties, contact data changes of the Agent of the Obligated Entities,

- Annex dated 7 May 2020 (detailed information contained in current report 13/2020) to the consolidated "Agreement between Creditors" dated 13 June 2019, as amended (detailed information contained in current report 12/2020) between the Company and its subsidiaries on one part and funding entities on the other part. Pursuant to the Annex, Trakcja Ukraina S.A., a subsidiary of the Company has acceded as a party to the Agreement between Creditors, and furthermore, modifications have been introduced to the Agreement's contents for the purpose of adapting the rules of cooperation between the parties in connection with the planned issue by the Company of bonds convertible into Company stock.

- Annex dated 10 June 2020 to the Open-End Credit Agreement concerning: the modification of the period of making available guaranty lines and guaranty periods.

- Annex dated 24 August 2020 to the Open-End Credit Agreement concerning: the modification of the period of making available guaranty lines and guaranty periods.

- Annex dated 16 September 2020 to the Open-End Credit Agreement concerning: the modification of the period of making available guaranty lines and guaranty periods.

- Annex dated 13 November 2020 to the Open-End Credit Agreement concerning: the modification of the period of making available guaranty lines and guaranty periods.

- Annex dated 15 December 2020 to the "Joint Conditions Agreement" dated 27 September 2019 between the Company and its subsidiaries on one part and funding entities on the other part. The date of payment has been changed from 16 December 2020 to 16 January 2021 by an annex; the "exposure reduction schedule" has also been modified in the following manner: any references to 16 December 2020 have been replaced with references to 16 January 2021.

Credit and loan agreements terminated or expired in 2020

In 2020, AB Kauno Tiltai, a subsidiary, has repaid and ended the open-end credit agreement for the amount of EUR 400 thousand, with EURIBOR 3M interest topped by the margin; the balance of the credit as at 31 December 2020 amounted to PLN 0 (balance as at 31 December 2019: PLN 852 thousand).

In connection with the issue of Series G Bonds on 8 May 2020, the loan granted to Trakcja by Comsa S.A. in the total amount of PLN 7,656 thousand has been compensated with the amount receivable from Comsa S.A. for accepting the proposal of acquiring of Series G Bonds.

After the balance sheet date, that is, on 3 March 2021, the Company informed under current report 6/2021 that it received payment for the property situated at ul. Lotnicza 100, Wrocław of a total amount of PLN 53,000 thousand, of which PLN 50,150 thousand was transferred by the buyer by wire transfer to the account of mBank

S.A. with a view of repaying the whole of the Company's liabilities under a working capital facility (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, which in turn will allow the striking out of this mortgage. The remaining amount after the repayment of the working capital facility liability shall be transferred by the Bank to the Company's bank account.

In 2020 the credit agreements concluded by the Issuer's subsidiaries have not been terminated by the financing entities.

Pursuant to the Joint Conditions Agreement dated 27 September 2019, the Parent Company is obliged to comply with the financial ratios (hereinafter "Covenants") associated with the current financial situation of the Parent Company and Group.

The Agreement provided for the first verification of the Parent Company's and Group's compliance with the Covenants on 30 September 2020, and subsequently on a quarterly basis until 30 September 2022. The Parent Company has received the consent of financing entities for a waiver of testing the Covenants on 30 September 2020, 31 December 2020 and 31 March 2021. The subsequent Covenants verification date in accordance with the above-mentioned financing agreements falls on 30 June 2021. As at the date of publishing the report, the Company's Management Board is of the view that there exists a risk of not achieving the values of financial ratios provided under the Agreement on 30 June 2021. The Company is in the process of making arrangements with financing entities - within the framework of the second financing round – of new deadlines and financial ratio values binding upon the Company.

5.2. Borrowings extended in the financial year

A list of borrowings extended by the Group companies, including to related parties, is presented in the following table.

Lender	Borrower	The loan granted (in thousand PLN)	Contract Currency	Maturity date	Interests	Amount left to be paid (in thousand PLN)	The nature of capital ties
Trakcja S.A.	Torprojekt Sp. z o.o.	1 900	PLN	30.06.2021	WIBOR 3 M + margin	2 006	Subsidiary
Trakcja S.A.	Torprojekt Sp. z o.o.	300	PLN	30.06.2021	WIBOR 3 M + margin	315	Subsidiary
Trakcja S.A.	Torprojekt Sp. z o.o.	300	PLN	30.06.2021	WIBOR 3 M + margin	315	Subsidiary
Trakcja S.A.	Torprojekt Sp. z o.o.	200	PLN	30.06.2021	WIBOR 3 M + margin	210	Subsidiary
Trakcja S.A.	Torprojekt Sp. z o.o.	200	PLN	30.06.2021	WIBOR 3 M + margin	205	Subsidiary
Trakcja S.A.	Dalba Sp. z o.o.	1 000	PLN	01.06.2021	WIBOR 1 M + margin	1 111	Subsidiary
Trakcja S.A.	PDM S.A.	2 000	PLN	31.12.2021	WIBOR 1 M + margin	2 192	Subsidiary
Trakcja S.A.	PRK 7 Nieruchomości Sp. z o.o.	3 000	PLN	30.06.2020	WIBOR 3 M + margin	6	Subsidiary
PRK 7 Nieruchomości Sp. z o.o.	Trakcja S.A.	3 500	PLN	24.02.2024	WIBOR 1 M + margin	3 826	Subsidiary
PRK 7 Nieruchomości Sp. z o.o.	Trakcja S.A.	3 000	PLN	28.02.2024	WIBOR 3M + margin	3 150	Subsidiary
PRK 7 Nieruchomości Sp. z o.o.	Trakcja S.A.	1 500	PLN	13.01.2021	WIBOR 3M + margin	466	Subsidiary
Dalba Sp. z o.o.	Trakcja S.A.	1 000	PLN	28.02.2028	WIBOR 3M + margin	1 071	Subsidiary
BTW Sp. z o.o.	Trakcja S.A.	2 000	PLN	28.02.2024	WIBOR 3M + margin	2 143	Subsidiary
BTW Sp. z o.o.	Trakcja S.A.	3 000	PLN	15.02.2025	WIBOR 1M + margin	2 563	Subsidiary
BTW Sp. z o.o.	Trakcja S.A.	8 000	PLN	15.03.2025	WIBOR 1M + margin	6 979	Subsidiary
PDM S.A.	Trakcja S.A.	2 500	PLN	28.02.2024	WIBOR 3M + margin	2 161	Subsidiary
PEUiM Sp. z o.o.	Trakcja S.A.	2 500	PLN	28.02.2024	WIBOR 1M + margin	221	Subsidiary
PEUiM Sp. z o.o.	Trakcja S.A.	2 000	PLN	28.02.2024	WIBOR 1M + margin	2 081	Subsidiary
PEUiM Sp. z o.o.	Trakcja S.A.	2 000	PLN	28.02.2024	WIBOR 1M + margin	2 046	Subsidiary
PEUiM Sp. z o.o.	Trakcja S.A.	3 000	PLN	28.02.2024	WIBOR 1M + margin	3 020	Subsidiary
PEUiM Sp. z o.o.	Dalba Sp. z o.o.	700	PLN	28.02.2024	WIBOR 1M + margin	712	Subsidiary
AB Kauno Tiltai	Trakcja S.A.	3 500	EUR	01.01.2023	Fixed interest rate	16 827	Subsidiary
UAB Kelda	AB Kauno Tiltai	480	EUR	31.01.2024	Fixed interest rate	2 330	Subsidiary
AB Kauno Tiltai	AB Kauno Tiltai TŪB "Koncorciumas TILTRA"	70	EUR	31.12.2021	Fixed interest rate	251	Subsidiary
AB Kauno Tiltai	UAB "Transporto Infrastruktūra"	100	EUR	31.12.2020	Fixed interest rate	32	Subsidiary
Trakcja Ukraina Sp. z o.o.	Trakcja Asphalt Sp. z o.o.	9 102	UAH	19.10.2024	Fixed interest rate	242	Subsidiary
Total						56 481	

5.3. Sureties and guarantees issued and received

The table below summarises guarantees issued by the Parent Company:

Beneficiary	Value of guarantee in thousand PLN
PKP PLK S.A.	539 215
GDDKiA S.A.	77 553
WZDW Poznań	10 811
Gmina Kraków	9 421
Gmina Wrocław	4 876
Other	26 174
Total	668 050

The table below summarises guarantees received by the Parent Company:

Subcontractor	Value of guarantee in thousand PLN
Krakowskie Zakłady Automatyki S.A.	17 518
Kolejowe Zakłady Automatyki S.A.	5 158
Menard Polska Sp. z o.o.	3 466
Keller Polska Sp. z o.o.	3 428
PKP PLK S.A.	2 000
Other	27 348
Total	58 918

Under the Common Terms Agreement of 27 September 2019, the Parent Company together with its subsidiaries (without AB Kauno) are Obligated Entities who provided collateral in the form of sureties.

The table below summarises sureties issued by the Parent Company to subsidiaries:

	Value of surety in thousand PLN
To subsidiaries	702 400
Total	702 400

The table below summarises sureties issued by subsidiaries to the Parent Company:

	Value of surety in thousand PLN
From subsidiaries	702 400
Total	702 400

5.4. Proceeds from issues of securities

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, the District Court for the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered a conditional increase in the share capital of the Parent Company. In connection with the foregoing, the share capital of the Parent Company was conditionally increased from the amount of PLN 69,160,780.80 by the amount not higher than PLN 13,023,288 by way of issuing no more than 16,279,110 Series D ordinary bearer's shares with the nominal value of PLN 0.80 each. Series D shares may be subscribed by holders of Series F and G convertible bonds which the Parent 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.

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 Parent 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 Parent 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 Parent Company's real estate located in Bieńkowice, established for the benefit of the mortgage administrator. Further, the Parent 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 Parent 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.

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.

The issue of Series B stock, series C stock and convertible Series F and G convertible bonds has allowed the Company to solicit capital earmarked for the Company's ongoing needs, has permitted the refinancing of the Company's current debt and it was also necessary for soliciting and performing projects. The increase of the Company's share capital by issuing new shares was one of the conditions of obtaining new debt financing from financial institutions by the Company within the framework of the debt refinancing process, in place since 2019. The foregoing measures had the purpose of the Company's financial restructuring and maintaining its market position.

5.5. Material off-balance sheet items

	31.12.2020 Audited	31.12.2019 Audited
Contingent receivables		
From related entities due to:	78 648	64 022
Received guarantees and sureties	77 965	62 731
Bills of exchange received as collateral	683	1 291
Total contingent receivables	78 648	64 022
From related entities due to:		
From other entities due to:	11 050 816	8 696 931
Provided guarantees and sureties	873 150	899 060
Promissory notes	571 456	521 671
Mortgages	5 717 542	4 252 519
Assignment of receivables	1 053 263	1 429 992
Assignment of rights under insurance policy	227 438	120 137
Security deposits	34 754	21 900
Other liabilities	2 573 213	1 451 652
Total contingent liabilities	11 050 816	8 696 931

Contingent receivables arising from guarantees issued comprise guarantees issued by banks or Insurance Companies in favour of the Trakcja Group companies securing the Group's claims against its counterparties in connection with executed construction contracts.

Contingent liabilities arising from guarantees comprise mainly guarantees issued by banks and Insurance Companies to counterparties of the Group companies to secure their claims against the Group companies that may arise on the grounds of executed construction contracts. The banks and Insurance Companies have the right to recourse against the Group companies on that account.

5.6. Significant court cases and disputes

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

Proceedings concerning the Parent Company:

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

The Parent Company merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. 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 Parent Company's best knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja S.A. were recognised in the amount of PLN 10,569,163.16, 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

As Leonhard Weiss International failed to respond to the statement including a debit note and a request for payment dated 31 October 2017, the Parent Company decided to take the case 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 Parent 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 Parent 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 Parent 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".

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

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 Intercom 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 Intercom 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent Company extended the claim to PLN 51,767,012.38. The damage of the Parent Company includes PLN 1,250,000.00, which the Parent Company was obliged to pay to the Bocheński Powiat 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 Intercom sp. z o.o. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 31 October 2017, the Company along with Przedsiębiorstwo Budowlane "FILAR" Spółka z ograniczoną odpowiedzialnością with its registered office in Wrocław, and Berger Bau Polska Spółka z ograniczoną odpowiedzialnością with its registered office 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 29 March 2018, an extension of a claim pursued as part of the case to include claims of another subcontractor – INFRAKOL Sp. z o.o. Sp.K. The Parent 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 12 July 2019, the Company extended the claim to PLN 14,601,921.80, i.e. by the value of additional performances 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 zloty 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 POLiŚ 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 POLiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempin-Poznań section" due to circumstances within the scope of responsibility of PKP PLK S.A. On 12 July 2019, the Company extended the claim to PLN 14,601,921.80, i.e. by the value of additional performances 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 (in words: one million three hundred twenty thousand four hundred ninety-five zloty and twenty-five grosz) along with statutory interest for delay, as:

- a) reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0090/15/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 POLiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempin-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 POLiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempin-Poznań section" – as regards the Partial Contract C – railway viaduct on km 160.857 in Poznań, 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 Parent Company filed a suit against PKP PLK S.A. with the motion requesting security for the Parent Company's claim, the subject of which being stipulating the contents of the Parent 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.

Continuation of claims negotiations

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.

Proceedings concerning subsidiaries:

AB Kauno Tiltai

The investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which a subsidiary, AB Kauno Tiltai, is a member, for a total amount of PLN 69,173,803 (EUR 14,989,556). Pursuant to a decision of the court, this amount was reduced to PLN 4,808,058 (EUR 1,041,878). The share of Trakcja Group in liabilities (if any) that may arise from these proceedings is 65%. The Group refrained from making any other disclosures related to this court case by invoking clause 92 of IAS 37. According to the Management Board of The Parent Entity those disclosures may reveal information to parties of court proceedings, which can be used in the ongoing proceedings against the interests of the subsidiary AB Kauno tiltai.

5.7. Related-party transactions

All related-party transactions of the Parent Company and its subsidiaries in 2020 were executed on an arm's length.

For detailed information on related-party transactions, see Note 55 to the Consolidated financial statements of Trakcja Group for 2020.

5.8. Remuneration of the members of the Management Board and Supervisory Board

Total amount of the remuneration and other benefits paid to members of the Parent Company's Management Board in 2020 is presented in the table below:

Management Board of the Parent Company		Parent Company				Subsidiaries			
		Remuneration	Awards	Other benefits	Total	Remuneration	Awards	Other benefits	Total
Marcin Lewandowski	President of Management Board	1 524	-	3	1 527	-	-	-	-
Paweł Nogalski	Vice-President of the Management Board	836	-	18	854	-	-	-	-
Arkadiusz Arciszewski	Vice-President of the Management Board	585	-	2	587	-	-	-	-
Robert Sobków	Member of Management Board	585	-	11	596	-	-	-	-
Adam Stolarz	Member of Management Board from	585	-	14	599	-	-	-	-
Aldas Rusevicius	Vice-President of the Management Board	117	-	-	117	586	88	15	689
Total		4 232	-	48	4 280	586	88	15	689

Remuneration and other benefits paid to members of the Parent Company's Supervisory Board in 2020 is presented in the table below:

Supervisory Board of the Parent Company		Parent Company				Subsidiaries			
		Remuneration	Awards	Other benefits	Total	Remuneration	Awards	Other benefits	Total
Dominik Radziwiłł		234	-	4	238	-	-	267	267
Michał Hulbój		174	-	3	177	-	-	-	-
Miquel Llevat Vallespinosa		129	-	-	129	-	-	267	267
Jorge Miarnau Monserrat		94	-	-	94	-	-	-	-
Krzysztof Tenerowicz		205	-	2	207	-	-	-	-
Klaudia Budzisz		129	-	1	130	-	-	-	-
Fernando Perea Samarra		129	-	-	129	-	-	-	-
Total		1 094	-	10	1 104	-	-	534	534

5.9. Agreements concluded between the Parent Company and managers

The Company's managing directors at the Parent Company provide their services pursuant to managerial contracts and simultaneously serve in the capacity of Management Board Members pursuant to a resolution of the Supervisory Board. One collaborator also serves on the Management Board, who is exclusively a Board member.

The concluded managerial contracts oblige the Company to pay wages to a manager for 3 to 12 months in the event the contract is terminated by the Company.

As at 31 December 2020, the Company is not employing Managing Directors pursuant to employment contracts; it also has no valid non-competition agreements.

As at 31 December 2020 Trakcja and Trakcja Group companies have no liabilities concerning pensions and benefits of a similar nature for former managerial or supervisory staff.

5.10. Material events subsequent to the balance sheet date

Significant construction contracts	CR
<p>Management Board of Trakcja S.A. ("Company", "Issuer") informs that today the Company and the Skarżysko-Kamienna Powiat, 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.</p>	4/2021
<p>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.</p>	5/2021
<p>Management Board of Trakcja S.A. (the "Company", "Issuer") 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 POLiŚ 5.1-13 titled "Works on the Warsaw cross-city line on section Warszawa Wschodnia – Warszawa Zachodnia". ("Agreement"). Additional works resulting from the signed Annexes will include: design of the cross-town tunnel reconstruction, design of the construction of a new passenger station in the area of de Gaulle Roundabout in Warsaw, design of a new passenger station in the area of Solec street in Warsaw along with the infrastructure, design of new double-track connections towards lines nos. 006 and 009 along with the adaptation of the track layout of the eastern and western turnouts in Warszawa Wschodnia station". The signing took place on 8 April 2021 between the Issuer's subsidiary, Torprojekt Sp. z o.o. in the capacity of Leader of the following consortium:</p> <ul style="list-style-type: none"> - Torprojekt Sp. z o.o. – Consortium Leader - Kuryłowicz & Associates Sp. z o.o. – Consortium Partner <p>and PKP Polskie Linie Kolejowe S.A. with its seat In Warsaw („Contracting Entity”). 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.</p> <p>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.</p>	8/2021

Other	CR
The Management Board of Trakcja PRKił 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	6/2021
The Company decided to create a write-down to investments in subsidiaries in the Company's individual balance sheet, in the amount of PLN 3,855 thousand, and a write-down to goodwill in the consolidated balance sheet of the Trakcja Group, in the amount of PLN 38,735 thousand. Additionally the Company announced the initial estimated financial results for the 12 months ended on 31 December 2021.	7/2021

5.11. Major R&D achievements

In 2020, as in previous years, Trakcja placed great emphasis on efforts related to Occupational Health and Safety at the construction sites. Observance of the basic safety rules, internal inspections as well as the reminders and educational information distributed contributed to a reduction in accidents. It is also important to note the special telephone application implemented on the WEBCON platform for monitoring threats on construction sites. Owing to the measures taken, the company has won an Safe Work Leader's Gold Card award.

5.12. Information on the statutory auditor

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

In 28 August 2019, the Company and BDO spółka z ograniczoną odpowiedzialnością sp. k. entered into an agreement for:

- review of the semi-annual separate and consolidated financial statements prepared as at 30 June 2019 in accordance with the International Accounting Standards;
- audit of the annual separate and consolidated financial statements prepared as at 31 December 2019, in accordance with the International Accounting Standards;

- review of the semi-annual separate and consolidated financial statements prepared as at 30 June 2020 in accordance with the International Accounting Standards;
- audit of the annual separate and consolidated financial statements prepared as at 31 December 2020, in accordance with the International Accounting Standards.

The agreement was concluded for the period of execution of its subject matter.

Remuneration of the statutory auditor for the services provided to the Company is presented in the table below:

	Year ended	
	31.12.2020	31.12.2019
	Audited	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 of the statutory auditor for the services provided to the Group is presented in the table below:

	Year ended	
	31.12.2020	31.12.2019
	Audited	Audited
On account of agreement for financial statement audit	334	344
On account of agreement for financial statement review	108	135
On account of other agreements	40	10
Total	482	489

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.

6. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS

6.1. Code of corporate governance applicable to the Issuer and its availability to the general public

In 2020, Trakcja S.A. was subject to the corporate governance rules stipulated in the "Code of Best Practice for WSE Listed Companies 2016" adopted by the Supervisory Board of the Warsaw Stock Exchange on 13 October 2015.

The document is available at the WSE's premises and on its website dedicated to corporate governance (<http://corp-gov.gpw.pl>), and on the Company's website, in the "Investor relations/Corporate governance" tab.

6.2. Degree of the Issuer's non-compliance with the corporate governance rules set out in the "Code of Best Practice for WSE Listed Companies 2016" pursuant to resolution No 1309/2015, applicable as of 1 January 2016, specification of the rules not complied with, and reasons for the non-compliance

The Company undertook to comply with the corporate governance recommendations and rules laid down in the "Best Practice for WSE Listed Companies 2016", except for the following recommendations and rules:

1. Recommendations and rules set out in Section I of the Code of Best Practice:

I.Z.1. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:

I.Z.1.7. information materials published by the company concerning the company's strategy and its financial performance.

Explanation:

The Company does not publish any strategy as the situation on the markets where it operates is too dynamic for the strategy to stay up-to-date.

I.Z.1.10. financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

Explanation:

The Company does not publish any financial projections. Therefore this principle is not applicable.

I.Z.1.15. information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website.

Explanation:

The Company has not implemented a formalised diversity policy with respect to the Company's governing bodies and key managers due to the specific nature of the markets in which it operates, in particular due to the limited number of key managers that can be recruited from the market. Key personnel decisions with regard to the Company's authorities are made by the General Meeting and the Supervisory Board, guided by the qualifications, skills and professionalism of the candidate for a given position and his or her professional experience. Although there are no non-standard rules for their selection, the Company seeks, as far as possible, to recruit people with relevant competencies, regardless of their gender, age, education or professional experience. These elements are not factors that affect the Company's decisions concerning employment. The Company hires key employees taking into account their expertise and experience in the industry, depending on the needs, taking into account the requirements and specificity of a given position. Due to the specific nature of its business, qualifications become a key factor, regardless of non-substantive criteria, and the Company believes that in such circumstances it will not always be possible to maintain diversity.

In the Company's opinion, such an approach ensures proper selection of the company's authorities and its key managers.

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting.

Explanation:

Due to its ownership structure, the Company does not broadcast General Meetings in the form of audio or video transmissions.

I.Z.1.20. an audio or video recording of a general meeting.

Explanation:

Due to its ownership structure, the Company does not broadcast General Meetings in the form of audio or video transmissions and does not make them available on its website.

2. Recommendations and rules set out in Section IV of the Code of Best Practice:

IV.R.2. If justified by the shareholding structure or expectations of the shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-time broadcast of the general meeting,
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the venue of the general meeting;
- 3) exercise the right to vote during a general meeting either in person or through a proxy.

Explanation:

Due to the Company's shareholding structure and the lack of the required technical infrastructure, the Company does not broadcast the general meetings and does not enable the real-time bilateral communication using electronic communication means.

IV.Z.2. If justified by the shareholding structure, a company should ensure publicly available real-time broadcasts of general meetings.

Explanation:

Due to its shareholding structure, the Company does not broadcast General Meetings in real time.

3. Recommendations and rules set out in Section VI of the Code of Best Practice:

VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

Explanation:

The Company applies a Remuneration Policy for the Members of the Management Board and Supervisory Board, however it does not apply to key managers.

VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

Explanation:

The Company applies principle II.Z.7 to the operations of the remuneration committee, but only one member of the Company's remuneration committee which consists of three members is an independent member of the supervisory board, thus independent members do not form the majority of its members.

VI.Z.4. In this Management report, the Company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
- 3) information about non-financial remuneration components due to each management board member and key manager;
- 4) indication of significant changes, which were introduced in the remuneration policy in the last financial year, or information about their lack,
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

Explanation:

The Company does not report on the remuneration policy in its Management report, however, information on the remuneration of the members of the Management Board and the Supervisory Board is included in the remuneration report prepared pursuant to Article 90g of the Act on Public Offering of July 29, 2005.

6.3. Manner of operation and key powers of the General Meeting; description of shareholders' rights and the manner of their exercise

The Company's General Meeting (GM) operates on the basis of provisions of the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the General Meeting. The GM is convened by posting a relevant notice on the Company's website and in the manner prescribed for publication of current reports, in accordance with the provisions of the regulations on public offering and the conditions for introducing financial instruments to the organized trading system and on public companies. Unless the provisions of the Commercial Companies Code or the Company's Articles of Association state otherwise, resolutions of the Shareholder Meeting are adopted by an absolute majority of votes cast, with the proviso that resolutions on:

- 1) liquidation of the Company;
- 2) increasing the Company's share capital, cancelation of the Company's shares and reducing the Company's share capital;
- 3) issuing convertible bonds or other securities conferring the right to vote;
- 4) granting options conferring the right to acquire shares or other securities of the Company, and their terms;
- 5) waiving the Shareholders' pre-emptive rights to new shares;
- 6) selling the business or its organised part;
- 7) recalling or suspending the Management Board members or the Supervisory Board members;
- 8) merger, demerger and transformation of the Company;
- 9) cancellation of dematerialization of the Company's shares;
- 10) amending the Articles of Association

must be adopted by a 2/3 (two thirds) majority of the votes cast, when required by law. Moreover, the Company's Articles of Association provide for a qualified majority of 80% of votes present at the General Meeting

"in favour" of adopting a resolution on amending Articles 13.1, 13.7, 16.3 and 16.7 of the Articles of Association and on the cancellation of shares.

According to the Articles of Association, the General Meeting does not have to grant consent to the purchase, lease, disposal or any other form of transfer of ownership of real property, right of perpetual usufruct or interest in real property by the Company.

The General Meeting appoints the Company's Supervisory Board members, subject to the relevant provisions of the Company's Articles of Association. In addition to the aforementioned issues, the GM resolutions must be adopted in matters specified in the Commercial Companies Code, especially in the subject of examination and approval of the Management report on the activities of the Company and on the activities of the capital group and the financial statements of the Company and of the capital group for the previous financial year, discharge of members of the Company's corporate bodies on the performance of their duties, profit distribution and loss coverage, sale or lease the business or its organised part and establishment of a limited right in rem, issue of senior bonds, establishment and liquidation of reserve capital; in case of the Company's liquidation, the GM appoints liquidators and specifies the procedure. The Management Board submits drafts of the GM resolutions to the Supervisory Board for its prior opinion. Shareholders may participate in the GM and exercise voting rights in person or by proxy. The Company's Management Board members and Supervisory Board members participate in the GM. If the GM has any financial issues in its agenda, a statutory auditor should be present. Media representatives may participate in the GM, unless the subject matter of the meeting indicates that their presence might cause damage to the Company. The application for the presence of media representatives is submitted for voting by the Chairman of the GM immediately after the attendance list is signed.

The rights of Company's shareholders, including shareholders holding non-controlling interests, are exercised to the extent and in the manner compliant with provisions of the Commercial Companies Code.

6.4. Rules governing appointment and removal of the management and supervisory staff, composition and operating principles of the Company's management and supervisory bodies and their committees

Management Board

As at the date of issue of this statement, the composition of the Company's Management Board was as follows:

- 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.

After the balance sheet date there were no changes in the composition of the Company's Management Board.

Rules governing the appointment and removal of the Company's management personnel and such personnel's powers, particularly the power to make decisions to issue or buy back shares:

The Company's Management Board operates in accordance with the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Management Board. Pursuant to the Company's Articles of Association, the Management Board consists of no more than 10 members, appointed and dismissed as follows, subject to Articles 18.6 and 18.7 below: (i) up to eight members of the Management Board are appointed and dismissed by the Supervisory Board; (ii) one member of the Management Board responsible for internal audit is appointed and dismissed by Agencja Rozwoju Przemysłu S.A. by way of a written representation submitted to the Company; (iii) one member of the Management Board responsible for key

customers is appointed and dismissed by Agencja Rozwoju Przemysłu S.A. by way of a written representation submitted to the Company. In the event that due to: (i) amendments to Articles 13.1 and 13.4 of the Articles of Association, (ii) amendments to the relevant provisions of law, (iii) appointment of the Supervisory Board in keeping with Article 385 § 5 and (or) 6 of the Commercial Companies Code, the key shareholder (COMSA) is not able to appoint such a number of the Supervisory Board members as would form the majority of its members, COMSA shall have the right to appoint and recall the Management Board members in the number corresponding to 50% of all the Management Board members (rounded down to the nearest integral number) plus one Management Board member. If the number of Supervisory Board members appointed by COMSA ceases to form the majority of the Supervisory Board members, a resolution recalling or suspending a member or members of the Management Board appointed by COMSA is adopted by the General Meeting by a 2/3 of the votes cast.

Members of the Management Board are appointed for a joint three-year term of office. In accordance with the Articles of Association, the Management Board manages the Company's business and represents the Company before third parties. The Supervisory Board (in cooperation with the Supervisory Board's Remuneration Committee) sets and changes remunerations and determines other terms and conditions of employment for the Management Board members. In accordance with the Articles of Association, the Management Board manages the Company's business and represents the Company before third parties. All matters not reserved for the General Meeting or the Supervisory Board fall within the scope of powers and responsibilities of the Management Board. Management Board resolutions are passed with an absolute majority of votes cast by Management Board members present at the meeting or participating in the vote. In the case of a voting tie, the President of the Management Board has the casting vote. Declarations of will on behalf of the Company may be made and documents may be signed for the Company by two Management Board members acting jointly or one Management Board member acting jointly with a commercial proxy. A proxy is authorised, pursuant to a resolution adopted by the Management Board, to take certain actions on behalf of the Company (to the extent permitted by the authorisation granted). The rules for making decisions on issuing or redeeming shares (increasing or decreasing the share capital) are reserved for the General Meeting which adopts resolutions on these matters by a majority of 2/3 of votes cast (the Articles of Association do not authorise the Management Board to make decision on issuing or redeeming shares).

Commercial proxies

As at the date of issue of this report, the Company has one Commercial proxy, Ms Elżbieta Okuła. The said commercial proxy may make representations on behalf of the Company jointly with one Management Board member or other Commercial proxy.

Commercial proxy operate in accordance with the Civil Code, Commercial Companies Code, the Company's Articles of Association and internal Rules of Procedure of the Company.

Supervisory Board

As at the date of issue of this statement, the composition of the Company's Supervisory Board was as follows:

- Dominik Radziwiłł - Chairman of the Supervisory Board;
- Jorge Miarnau Montserrat - Deputy Chairman of the Supervisory Board;
- Michał Hulbój - Deputy Chairman of the Supervisory Board (Independent Member);
- Klaudia Budzisz - Member of the Supervisory Board;
- Krzysztof Tenerowicz - Member of the Supervisory Board (Independent Member);
- Miquel Llevat Vallespinosa - Member of the Supervisory Board;
- Fernando Perea Samarra - Member of the Supervisory Board;

After the balance sheet date there were no changes in the composition of the Supervisory Board.

The Company's Supervisory Board operates in accordance with the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board. At present, the Supervisory Board is composed of 7 members. The Supervisory Board is currently composed of the Chairman, two Deputy Chairmen and the remaining members. Supervisory Board members are appointed for a joint term of three years.

Members of the Supervisory Board are appointed and dismissed from office by the General Meeting, with the proviso that:

- shareholder (COMSA S.A.) is authorised to appoint and recall four Supervisory Board members by way of submitting a written statement in that respect to the Company;
- akcjonariusz Agencja Rozwoju Przemysłu S.A. jest uprawniony do powoływania i odwoływania dwóch członków Rady Nadzorczej przez pisemne oświadczenia złożone Spółce.

Where the number of the Supervisory Board members is higher or lower than seven due to changes in Article 13.1 of the Articles of Association or relevant provisions of law, COMSA shall have the right to appoint and recall the Supervisory Board members in the number corresponding to 50% of all the Supervisory Board members (rounded down to the nearest integral number) plus one Supervisory Board member. The right held by COMSA referred to in the previous sentence expires on 1 January 2022, subject to the circumstances indicated in Article 29(4) of the Articles of Association.

At least one member of the Supervisory Board, including at least one member appointed by the General Meeting, shall meet the following independence criteria:

- 1) not be a member of the Management Board of the Company or any entity related thereto and not to hold such a position in the last five years;
- 2) not be an employee of the Company or any entity related thereto and not to hold such a position in the last three years;
- 3) not to receive, now or in the future, any significant additional remuneration from the Company or any entity related thereto, except for remuneration received as the Supervisory Board member;
- 4) not to represent, in any way whatsoever, the majority shareholder or any other shareholder holding at least 5% of votes at the General Meeting;
- 5) not to have, currently or during the past year, any significant business relationship with the Company or any entity related thereto, both directly or as a partner, shareholder, director or a key employee of the entity that has such a relationship;
- 6) not to be, currently or during the last three years a partner or employee of the current or former external auditor of the Company or any entity related thereto;
- 7) not to be a managing director or an executive director in any other company in which the Company's Management Board member is a non-executive director or a supervisory director, and not to have any other significant relationship with the Company's Management Board members through the performance of duties in other companies or entities;
- 8) not to be a member of the Supervisory Board for longer than three terms of office;
- 9) not to be a family member of an executive director or a managing director or any of the parties referred to in items 1) to 8).

The Supervisory Board whose members do not include independent members of the Supervisory Board referred to in Article 13.5 of the Articles of Association, is capable to adopt valid resolutions.

If COMSA S.A. or Agencja Rozwoju Przemysłu S.A. fail to appoint a member (members) of the Supervisory Board within 21 days from the expiry of the term of office of a member (members) of the Supervisory Board appointed by, respectively, COMSA S.A. or Agencja Rozwoju Przemysłu S.A., such a member (members) should be appointed and recalled by the General Meeting until COMSA or Agencja Rozwoju Przemysłu S.A. exercise their right to do so. Once COMSA S.A. has exercised its right to appoint a member of the Supervisory Board, the term of office of the member (members) of the Supervisory Board appointed by the General Meeting in keeping with these provisions automatically expires which has no effect on the term of office of the Supervisory Board.

The Supervisory Board which due to the expiry of the term of office of a member (members) of the Supervisory Board (for reasons other than their having been recalled) consists of less than seven but at least five members of the Supervisory Board has capacity of adopting valid resolutions until the missing members of the Management Board have been appointed.

If the Supervisory Board is appointed in a manner referred to in Article 385 § 5 or 6 of the Commercial Companies Code, the Chairman is elected by COMSA S.A. among the candidates appointed in accordance with the provisions of Article 385 § 5 or 6 of the Commercial Companies Code.

Members of the Supervisory Board are appointed for a joint term of office. The Supervisory Board or its individual members appointed by the General Meeting may be recalled by a resolution adopted by the General Meeting before the expiry of the Supervisory Board's term of office. If a Supervisory Board member is removed from office during his term of office and another person is appointed to replace him, the term of office of the newly appointed member ends upon expiry of the term of office of the entire Supervisory Board. The same also applies when the entire Supervisory Board is recalled during its term of office and new Supervisory Board is appointed and also when new members are additionally appointed to the Supervisory Board during its term of office. The Chairman and Vice Chairman of the Supervisory Board are appointed by the Supervisory Board from amongst its members.

Supervisory Board is chaired by the Chairman of the Supervisory Board or, in the event of his absence, by the Deputy Chairman of the Supervisory Board. Supervisory Board Members may be re-appointed for subsequent terms of office. The Supervisory Board members act in a personal capacity. The Supervisory Board may adopt its resolutions by casting a vote in writing or using means of remote communication, without holding a meeting. The Supervisory Board's meetings are convened at least four times a year by its Chairman, who also chairs the meetings. In the absence of the Chairman, meetings are chaired by one of the Deputy Chairmen. The Chairman convenes the Supervisory Board's meetings also at a written request of the Company's Management Board or any of the Supervisory Board members. The Chairman appoints the Secretary of the Supervisory Board. A Supervisory Board's resolution may be adopted at a meeting, provided that all the Supervisory Board members have been invited in writing to the meeting (such invitations should be delivered to the Supervisory Board members at least seven days before the meeting) and that at least half of them are present at the meeting, including the Chairman and at least one of the Deputy Chairmen. The Supervisory Board's meeting may be valid also without being officially convened, if all the Supervisory Board members are present at the meeting and none of them objects to the holding of such a meeting or any issue included in the agenda. The Supervisory Board may adopt resolutions by written ballot or with the use of means of remote communication, subject to Article 388.4 of the Commercial Companies Code. In such an event, a draft of the resolution should be presented to all members of the Supervisory Board by its Chairman, and in his or her absence by one of the Deputy Chairmen.

The powers and responsibilities of the Supervisory Board include ongoing supervision of the Company's operations. The Supervisory Board's resolutions are required in matters reserved for the Supervisory Board in the Commercial Companies Code and in Article 16 and Article 16A of the Company's Articles of Association. The Supervisory Board appoints a statutory auditor of the Company. The Supervisory Board's resolutions are passed with a simple majority of votes cast. In the event of a voting tie, the Chairperson has the casting vote.

Audit Committee

On 25 July 2013, the Company's Supervisory Board appointed from among its members the Audit Committee. In 2020 and at present, the committee has the following members:

- Mr Krzysztof Tenerowicz (Chairman of the Audit Committee and independent member of the Supervisory Board) – has knowledge and skills in accounting or auditing financial statements due to having obtained a PhD in finance from the Cracow University of Economics. As part of his professional work, he served, among others, as Member of the Management Board for Financial Affairs and Director General at Radio Kraków S. A., where he supervised the accounting department.

- Mr Michał Hulbój (Member of the Audit Committee and independent member of the Supervisory Board) – has knowledge and skills in accounting or auditing financial statements – obtained a positive result of two exams in the CFA program (the CFA program includes the knowledge necessary to make investment decisions, but also knowledge and skills in the field of International Accounting Standards (IFRS)). He gained his skills and professional experience in the field of, among others, accounting and financial statements as a participant of a managerial training at Bank Millennium, and subsequently as a stock market at Millennium Dom Maklerski, PTE PZU and AIG PTE. In the course of his professional work he held functions in the area of accounting, analysis of financial statements. In the 2008-2010, he worked as a portfolio manager at PTE PZU. At the end of 2010, he was appointed director of the Stock Products Management Team in Skarbiec TFI. In 2012, he served as Director of the Analysis Department at Erste Securities Polska.

- Mr Fernando Perea Samarra (Member of the Audit Committee) – he has knowledge and skills in the industry in which the Company operates, as for over a dozen years he has served as a manager of companies in the railway construction and construction industry: design and planning of works and construction and maintenance of railway infrastructure. In 2009-2011 was a Partner at Adigo – M&A Advisors, S.L. (Barcelona, Spain). Since 2011, he has been the CFO of Comsa Corporación (the major railway and infrastructure companies in Spain). From October 2003 to March 2007 he served on the Management Boards of Emte S.A., Tribugest, S.A., Agbar USA, PLC and Lydec Casablanca. Mr Perea Samarra represents COMSA as Chief Executive Officer in the following companies: Iconus, S.L. (since July 2011); Concesionaria Barcelonesa, S.L. (since February 2012) and Corporación Cld Servicios Urbanos De Tratamiento De Residuos, S.L. (since February 2012). In addition, Fernando Perea Samarra is a member of Management Boards of the following companies: Comsa Emte Polska sp. z o.o. (since 2012), Comsa Emte S.A. de C.V., México (since 2013) and Comsa Emte Mex (since 2012). In addition, he has knowledge and skills in accounting or auditing as he holds a degree in economics (University of Barcelona) and is a certified public accountant (Spanish Official Registry of Auditors).

The Audit Committee has assessed the independence of the audit firm that audits the financial statements and has approved the firm to provide permitted non-audit services:

- to evaluate the Report on Remuneration of the Management Board and Supervisory Board,
- to verify the accuracy of the calculation of the financial ratios contained in the Joint Terms Agreement dated September 27, 2019 between the Issuer and the Financing Entities.

The Audit Committee recommended the selection of an audit firm to conduct the audit in accordance with the Company's Audit Firm Selection Policy (the last audit firm selection was made in 2019).

The Audit Committee held 8 meetings in 2020.

Remuneration Committee

The Supervisory Board also appointed from among its member the Remuneration Committee as an advisory body for determining the amounts and principles of remuneration for the Company's Management Board members. Currently, The Remuneration Committee members are as follows: Miquel Llevat Vallespinosa (Chairman), Klaudia Budzisz (member) oraz Pan Krzysztof Tenerowicz (member).

Detailed rules governing the operation of the Supervisory Board are defined in the Rules of Procedure for the Supervisory Board, adopted by the General Meeting.

6.5. Description of key features of internal control and risk management systems used in the process of preparation of financial statements

The Issuer prepares its financial statements in accordance with the applicable regulations, and in particular with the International Accounting Standards, International Financial Reporting Standards and any interpretations related thereto and published in the form of regulations by the European Commission, hereinafter referred to as the "IAS", referred to in Article 2(3) of the Accounting Act of 29 September 1994 (as amended). Any issues not regulated in the IASs are governed by the provisions of the Accounting Act and the executive regulations issued on its basis.

In practice, the financial statements and reports are prepared by the qualified employees of the financial division under the supervision of the Vice-President of the Management Board – Chief Financial Officer.

Since 2015, Trakcja S.A. has kept its accounting records using Microsoft Dynamics AX. The structure of the system ensures a transparent allocation of competences, consistent records of operations in the ledgers and cross-validation between individual modules.

Consolidated financial statements are drafted on the basis of uniform consolidation packages prepared electronically by individual Group companies. Data is consolidated by the Stock Exchange Reporting Department under the supervision of the Vice-President of the Management Board – Chief Financial Officer.

The Supervisory Board examines the separate and consolidated financial statements and appoints the Audit Committee as an advisory and consultancy body acting within the structure of the Supervisory Board. The key objective of the Audit Committee is to support the Supervisory Board in exercising financial supervision and to provide the Supervisory Board with reliable information and opinions allowing for the appropriate decisions on financial reporting, internal control and risk management to be made efficiently, and also to ensure that the entity authorised to audit financial statements is independent and objective.

In accordance with the applicable regulations, Trakcja has its annual financial statements audited and its semi-yearly financial statements reviewed by an independent statutory auditor. A statutory auditor is appointed by the Company's Supervisory Board from among reputable audit firms, based on the Audit Committee's recommendations. The statutory auditor assesses independently the reliability and accuracy of separate and consolidated financial statements and verifies whether the internal control and risk management systems are effective.

6.6. Shareholders holding, directly or indirectly, major holdings of shares

To the knowledge of the Issuer's Management Board, on the basis of notifications received pursuant to Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, the number of Shareholders who, either directly or through their subsidiaries, held at least 5% of the total number of votes at the General Meeting of Shareholders of the Parent Company as at the date of publication of the last interim report, i.e. on 26 November 2020, was as follows:

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.

6.7. Holders of any securities conferring special control powers, and description of those powers

Apart from the rights arising from the Company's Articles of Association, there are no securities conferring special control rights.

6.8. Restrictions on voting rights

Apart from the limitations following from the Company's articles of association and commonly applicable laws, there are no limitations on the exercise of voting rights attached to the Company shares.

6.9. Restrictions on the transferability of Trakcja S.A. securities

Pursuant to the share lock-up agreement signed on 8 October 2019 between COMSA S.A.U. (the "Shareholder"), mBank S.A. ("mBank") and Santander Bank Polska S.A. Santander Bank Polska S.A. – Santander Dom Maklerski (the "Brokerage House") an agreement on limiting the disposal of shares, according to which COMSA S.A.U. may not, without the consent of mBank, dispose of the shares held in Trakcja S.A. to a certain extent during the period ending on 31 December 2021. Furthermore, in accordance with the agreement concluded, the Brokerage House established a blockade on the existing shares of Trakcja S.A. held by COMSA S.A.U.

The shareholder of COMSA S.A.U., as pledger, on December 31, 2020, entered into an agreement with BANCO BILBAO VIZCAYA ARGENTARIA, S.A., BANCO DE SABADELL, S.A., BANCO SANTANDER, S.A., BANCO SANTANDER (MÉXICO) S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO SANTANDER MÉXICO, BANCO SANTANDER-CHILE, BANKIA, S.A., BANKINTER, S.A., CAIXABANK, S.A., UNICAJA BANCO, S.A. ("Pledges") as pledgees, agreements establishing registered pledges and financial pledges on shares of Trakcja S.A. ("Pledge Agreements"), pursuant to which COMSA S.A.U. may not, without the Pledgees' consent, dispose of the registered shares held in Trakcja S.A. during the period of security pursuant to the Pledge Agreements.

Moreover, the Company's Management Board was notified by the Shareholder of the execution of the agreement concerning the pre-emptive right to acquire the Company's shares (the "Pre-emptive right") by the Shareholder with Agencja Rozwoju Przemysłu S.A. (the "Investor") on 10 October 2019. Under the Pre-emptive right, the Shareholder is obligated, if the Shareholder decides to sell at least 5% of the Company's share capital, including as a result of receiving an offer to purchase such a block of shares from another entity, to notify the Investor of such transaction allowing the Investor to purchase the shares in question on the terms indicated by the Shareholder (the pre-emptive right). Should the Investor not exercise the pre-emptive right, the Shareholder may dispose of the said block of shares on the same or better terms within the time limit specified in the Pre-emptive Right. The Pre-emptive right is valid until 31 December 2022 or until the date when the Investor or Shareholder ceases to hold, directly or indirectly, at least 5% of the Company shares.

Apart from the above, and apart from the limitations following from commonly applicable laws and the Company's articles of association, there are no restrictions on the transferability of the Company's securities.

6.10. Rules for amending the Articles of Association of Trakcja S.A.

Any amendments to the Company's Articles of Association are made in accordance with the rules set forth in the commonly applicable provisions of law subject to the exceptions indicated in the Articles of Association. In accordance with the Articles of Association, resolutions of the General Meeting concerning amendments to Articles 13.1, 13.7, 16.3 and 16.7 of the Articles of Association (related to the composition of the Supervisory Board and the procedure for the adoption of certain resolutions) require at least 80% of the votes present at the General Meeting cast in favour of such a resolution to be valid. Resolutions of the General Meeting concerning cancellation of shares require at least 80% of votes present at the General Meeting cast in favour of such a resolution to be valid. The purchase, lease, disposal or any other form of transfer of ownership of real property, right of perpetual usufruct or interest in real property by the Company do not require consent of the General Meeting.

6.11. Policy for selection of an auditing firm to perform audits, and policy for the provision of non-audit services by the audit firm, its affiliates and members of its network

Pursuant to the requirements of the Act on Statutory Auditors, Audit Firms, and Public Oversight of 11 May 2017 (the "Act"), both policies have been adopted and implemented in the Company. When selecting the audit firm and applying the policy for the provision of non-audit services by the audit firm, its affiliates and members of its network, the Company follows in particular the provisions of the Act and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (the "Regulation"), the Company's Articles of Association, internal regulations of the Company and generally applicable laws.

The Management Board is responsible for the execution of the policy for selection of the audit firm, and the audit firm is selected by the Supervisory Board, guided by a recommendation provided by the Audit Committee which complied with the applicable requirements. The selection is made after completion of a procedure aimed at ensuring the selection of an independent and impartial audit firm and after analysis of the work performed by that firm at the Company and going beyond the audit of the financial statements in order to avoid conflicts of interest. The procedure aimed at ensuring the selection of an audit firm should be commenced and conducted within a period allowing the statutory auditor to participate in the stock-taking of the Company's assets.

In addition to the above principles (which are common to both policies), when choosing an audit firm to provide permitted non-audit services, it must be verified whether the additional service is included in the catalogue of prohibited services or whether or not the Act excludes a particular service from the catalogue of prohibited services. Moreover, the provisions of Articles 4 and 5 of the Regulation are taken into account when determining the remuneration for permitted non-audit services. The selection of an audit firm to provide permitted non-audit services is made by the Management Board acting upon the recommendation of the Audit Committee that expresses its consent to the provision of additional permitted non-audit services.

6.12. Description of the diversity policy applied to the Issuer's administrative, management and supervisory bodies

The Company has not adopted a separate document on diversity policy. Despite that, the Company endeavours to comply with the diversity principles, which is reflected in the share of women employed as white-collar employees and the share of women employed as managers. The Company follows the diversity principles any time it has an opportunity to do so. This is reflected in the composition of the Supervisory Board. The persons appointed satisfy the requirements of versatility and diversity, in particular, as far as their education, age and professional experience are concerned. High qualifications and professional preparation to perform a given function are the key factors in determining whether a person may take up a particular position.

The Company seeks to apply the principles of diversity to the Company's governing bodies and key managers. However, due to the specific nature of the markets in which it operates, in particular due to the limited number of key managers that can be recruited from the market, these principles play a limited role.

6.13. Information on the sponsorship policy

Trakcja Group as a strong entity operating on the domestic and international markets, recognizes the need to engage in issues important to each member of the community affected by the companies of Trakcja Group.

Sensitivity to social and environmental issues means that already at the stage of creating strategies of our companies, we take into account aspects related to the necessity of positive involvement of entities from the Trakcja Group in these areas, as well as such activity planning that would maximally take into account social interest and responsibility for the natural environment in their actions.

The Group, together with academic partners and representatives of local communities, initiates and engages in socially relevant initiatives. By developing their business, entities from the Trakcja Group gain a significant competitive advantage through the use of green technologies. Engagement in innovative projects, especially from the environmental point of view, allows us to develop in a sustainable and responsible way.

Warsaw, 15 April 2021

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

REPRESENTATION BY THE MANAGEMENT BOARD ON COMPLIANCE OF THE ANNUAL FINANCIAL STATEMENTS, ANNUAL CONSOLIDATED FINANCIAL STATEMENT AND THE MANAGEMENT REPORT ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP AND TRAKCJA S.A.

To the best of our knowledge, the financial statements of Trakcja S.A. and the consolidated financial statements of Trakcja Capital Group for the period from 1 January 2020 to 31 December 2020 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial position and financial performance of Trakcja S.A. and Trakcja Capital Group. The Management Report on the activities of Trakcja Capital Group and Trakcja S.A. in 2020 gives a fair view of the development, achievements and position of Trakcja S.A. and Trakcja Capital Group, and includes a description of key risks and threats.

Marcin Lewandowski

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Member of the Management Board

Warsaw, 15 April 2021

**INFORMATION FROM THE MANAGEMENT BOARD PREPARED ON THE BASIS OF THE REPRESENTATION OF
THE SUPERVISORY BOARD ON THE QUALIFIED AUDITOR OF FINANCIAL STATEMENTS**

The Management Board of Trakcja S.A., on the basis of the representation of the Supervisory Board, informs that the entity authorised to audit financial statements, auditing the annual separate and consolidated financial statements of, respectively: the Parent Company and Trakcja Group for the 12-month period ended 31 December 2020 – BDO Spółka z ograniczoną odpowiedzialnością Sp. k. – has been selected in accordance with the provisions of law, and that:

- the audit firm and the members of the audit team met the conditions necessary to issue an impartial and independent audit report on the annual financial statements in accordance with applicable laws, professional standards, and principles of professional ethics,
- the Company complies with the applicable laws governing the rotation of audit firms and lead auditors as well as with the mandatory cooling-off periods,
- the Company has in place a policy governing the selection of audit firms and a policy on the provision of additional non-audit services by audit firms, their related parties or members of their networks to the Issuer, including services that are conditionally exempt from the prohibition on the provision of services by an audit firm.

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Warsaw, 15 April 2021