



TRAKCJA CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30, 2021

published in accordance with § 60 para. 1 point 1 of the Ordinance of the Minister of Finance of 29 March 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state

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

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APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja S.A. has approved the consolidated financial statements of Trakcja Group for the period of 9 months ended September 30, 2021.

The condensed consolidated financial statements for the third quarter of 2021 were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union for interim reporting purposes (IAS 34). Information included herein is presented in the following sequence:

1. Consolidated income statement for the period from January 1, 2021 to September 30, 2021, which shows a net loss of PLN **30 367** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2021 to September 30, 2021, which shows the negative total comprehensive income of PLN **34 332** thousand.
3. Consolidated balance sheet as at September 30, 2021, which shows the total assets and total equity and liabilities of PLN **1 454 242** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2021 to September 30, 2021, which shows a decrease in the total net cash flows by PLN **68 852** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2021 to September 30, 2021, which shows a decrease in equity by PLN **34 412** thousand.
6. Notes.

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

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

Adam Stolarz

Member of the Management Board

Warsaw, November 24, 2021

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I. SELECTED FINANCIAL DATA OF TRAKCJA CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
30.09.2021	4,5585	4,4541	4,6603	4,6329
31.12.2020	4,4742	4,2279	4,6330	4,6148
30.09.2020	4,4420	4,2279	4,6044	4,5268

* The average of the exchange rates applicable on the last day of each month in the reporting period concerned.

Key items of the consolidated income statement translated into the euro:

	9 month period ended 30.09.2021		9 month period ended 30.09.2020	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	968 474	212 455	957 447	215 544
Cost of goods sold	(939 897)	(206 186)	(938 263)	(211 225)
Gross profit (loss) on sales	28 577	6 269	19 184	4 319
Operating profit (loss)	(14 674)	(3 219)	(21 474)	(4 834)
Gross profit (loss)	(29 873)	(6 553)	(41 082)	(9 249)
Net profit (loss) from continued operations	(30 367)	(6 662)	(36 377)	(8 189)
Net profit for the period	(30 367)	(6 662)	(36 377)	(8 189)

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

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

	30.09.2021		31.12.2020	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	566 934	122 371	581 319	125 968
Current assets	887 308	191 523	896 437	194 253
Total assets	1 454 242	313 895	1 477 756	320 221
Equity	302 704	65 338	337 116	73 051
Long-term liabilities	381 798	82 410	340 847	73 860
Short-term liabilities	769 740	166 146	799 793	173 310
Total equity and liabilities	1 454 242	313 895	1 477 756	320 221

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

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

	9 month period ended 30.09.2021		9 month period ended 30.09.2020	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(131 663)	(28 883)	(117 111)	(26 364)
Cash flows from investment activities	36 436	7 993	(347)	(78)
Cash flows from financial activities	26 375	5 786	42 029	9 462
Total net cash flows	(68 852)	(15 104)	(75 429)	(16 981)

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

	9 month period ended 30.09.2021		9 month period ended 30.09.2020	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	135 906	29 450	107 461	25 234
Cash at end of period	67 054	14 473	32 032	7 076

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

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

The EUR/PLN exchange rate on the last day of the reporting period ended December 31, 2019, used for the calculation of "cash at the start of period" ended September 30, 2020 was PLN 4.2585.

II.CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Nota	01.01.2021- 30.09.2021 <i>Unaudited</i>	01.07.2021- 30.09.2021 <i>Unaudited</i>	01.01.2020- 30.09.2020 <i>Modified*</i>	01.07.2020- 30.09.2020 <i>Unaudited</i>
Continued operations					
Sales revenue		968 474	434 501	957 447	399 030
Cost of goods sold		(939 897)	(397 254)	(938 263)	(380 673)
Gross profit on sales		28 577	37 247	19 184	18 357
Cost of sales, marketing and distribution		(4 703)	(1 620)	(4 408)	(1 517)
General and administrative costs		(42 935)	(15 458)	(41 118)	(12 500)
Other operating revenues		6 974	1 136	7 880	3 594
Other operating costs		(2 587)	(1 474)	(3 012)	561
Operating profit		(14 674)	19 831	(21 474)	8 495
Financial revenues		3 883	28	676	112
Financial costs		(19 082)	(8 034)	(20 284)	(5 653)
Gross profit		(29 873)	11 825	(41 082)	2 954
Income tax		(494)	(4 529)	4 705	(1 085)
Net profit from continued operation		(30 367)	7 296	(36 377)	1 869
Net profit for the period		(30 367)	7 296	(36 377)	1 869
Attributable to:					
Shareholders of parent entity		(30 407)	7 144	(36 232)	1 762
Non-controlling interests		40	152	(145)	107
Profit per share attributable to shareholders in the period (PLN per share)					
- basic	19	(0,35)	0,08	(0,42)	0,02
- diluted	19	(0,29)	0,07	(0,38)	0,02

*The restatement relates to the reclassification of costs between sales, marketing and distribution costs as well as general management and administrative costs on one hand and the cost of goods sold on the other hand in the period from January 1, 2020 to June 30, 2020 (more information in note 13 hereof)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021	01.01.2020- 30.09.2020	01.07.2020- 30.09.2020
	<i>Unaudited</i>		<i>Unaudited</i>	
Net profit for the period	(30 367)	7 296	(36 377)	1 869
Other comprehensive income:				
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	419	(60)	(10)	(16)
Actuarial gains/(losses)	419	(60)	(10)	(16)
Other comprehensive income that will be reclassified to profit or loss:	(4 384)	6 309	13 999	3 560
Foreign exchange differences on translation of foreign operations	(4 384)	6 309	13 999	3 560
Total other comprehensive income	(3 965)	6 249	13 989	3 544
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(34 332)	13 545	(22 388)	5 413
Attributable to:				
Shareholders of Parent entity	(34 387)	13 365	(22 576)	5 296
Non-controlling interests	55	180	188	117

CONSOLIDATED BALANCE SHEET

	Note	30.09.2021 <i>Unaudited</i>	31.12.2020 <i>Audited</i>
ASSETS			
Non-current assets		566 934	581 319
Tangible non-current assets		274 424	285 257
Intangible assets		52 684	52 261
Goodwill from consolidation		133 554	138 537
Investment properties		26 528	26 587
Investments in other units		27	27
Other financial assets		7 302	6 425
Deferred tax assets		63 709	63 607
Long-term receivables		50	104
Accruals		8 656	8 514
Current assets		887 308	896 437
Inventory		113 008	113 145
Trade and other receivables		419 528	420 101
Income tax receivables		234	968
Other financial assets		8 403	4 640
Cash and cash equivalents		67 054	136 178
Accruals		15 645	13 095
Contracts with customers assets		258 399	203 273
Assets held for sale	22	5 037	5 037
TOTAL ASSETS		1 454 242	1 477 756
Equity and liabilities			
Equity (attributable to shareholders of parent entity)		297 134	331 594
Share capital		69 161	69 161
Revaluation reserve		7 082	7 082
Other capital reserves		220 509	329 955
Retained earnings		(30 407)	(109 785)
Foreign exchange differences on translation of foreign operations		30 789	35 181
Non-controlling interests		5 570	5 522
Total equity		302 704	337 116
Long-term liabilities		381 798	340 847
Interest-bearing loans and borrowings		323 514	281 152
Bonds	15	28 315	27 832
Provisions	24	22 254	21 355
Liabilities due to employee benefits		3 526	3 690
Provision for deferred tax		4 189	4 998
Other financial liabilities		-	28
Prepayments		-	1 792
Short-term liabilities		769 740	799 793
Interest-bearing loans and borrowings		81 679	86 131
Bonds	15	196	194
Trade and other liabilities		390 574	436 658
Provisions	24	53 920	53 706
Liabilities due to employee benefits		17 787	16 468
Income tax liabilities		74	238
Other financial liabilities		-	112
Accruals		12 947	5 973
Contracts with customers liabilities		212 563	200 551
Total equity and liabilities		1 454 242	1 477 756

CONSOLIDATED STATEMENT OF CASH-FLOWS

	Note	01.01.2021- 30.09.2021 <i>Unaudited</i>	01.01.2020- 30.09.2020 <i>Unaudited</i>
<i>Cash flows from operating activities</i>			
Gross profit from continued operations		(29 873)	(41 082)
Adjustments for:		(101 790)	(76 029)
Depreciation		28 060	28 266
FX differences		5	2 313
Net interest and dividends		10 950	10 159
Profit on investment activities		(1 841)	(2 154)
Change in receivables	23	(53 285)	(93 100)
Change in inventory		237	2 882
Change in liabilities, excluding loans and borrowings		(43 579)	47 405
Change in prepayments and accruals		2 712	(2 945)
Change in provisions		1 198	(51 587)
Change in settlements from contracts		(43 380)	(12 196)
Income tax paid		(670)	(1 907)
Other		(1 473)	(3 417)
Foreign exchange differences on translation of foreign operations		(724)	252
Net cash flows from operating activities		(131 663)	(117 111)
<i>Cash flows from investment activities</i>			
Sale (purchase) of intangible assets and tangible non-current assets		40 890	(5 253)
- acquisition		(14 681)	(9 038)
- sale		55 571	3 785
Financial assets		(4 607)	4 761
- sold or repaid		1 699	10 752
- granted or acquired		(6 306)	(5 991)
Interest received		153	145
Net cash flows from investment activities		36 436	(347)
<i>Cash flows from financial activities</i>			
Net proceeds from bond issues		-	20 000
Proceeds on account of taken borrowings and loans		119 114	58 182
Repayment of borrowings and loans		(67 516)	(10 630)
Interest paid		(9 456)	(11 761)
Payment of liabilities under financial lease agreements		(15 769)	(13 767)
Dividends paid to non-controlling shareholders		(7)	(3)
Other		9	8
Net cash flows from financial activities		26 375	42 029
Total net cash flows		(68 852)	(75 429)
Cash at start of period		135 906	107 461
Cash at end of period		67 054	32 032
- with limited access	23	7 500	-

Cash excluded from the statement of cash flows comprises cash blocked on the property development project accounts in the amount of PLN 0 thousand at September 30, 2021 and PLN 318 thousand at September 30, 2020.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to shareholders of parent entity											
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Share premium account	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2021 Audited	69 161	-	7 082	269 641	(1 020)	61 334	35 181	(109 785)	331 594	5 522	337 116
Net profit for the period	-	-	-	-	-	-	-	(30 407)	(30 407)	40	(30 367)
Other comprehensive income	-	-	-	-	412	-	(4 392)	-	(3 980)	15	(3 965)
Total comprehensive income	-	-	-	-	412	-	(4 392)	(30 407)	(34 387)	55	(34 332)
Distribution of profit	-	-	-	-	-	(109 785)	-	109 785	-	-	-
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(7)	(7)
Other changes	-	-	-	-	-	(73)	-	-	(73)	-	(73)
As at 30.09.2021 Unaudited	69 161	-	7 082	269 641	(608)	(48 524)	30 789	(30 407)	297 134	5 570	302 704

Equity attributable to shareholders of parent entity											
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Share premium account	Actuarial gains/(losses)	Results from previous years					
As at 1.01.2020 Audited	69 161	340 561	7 082	-	(1 152)	277 340	12 681	(285 430)	420 243	5 241	425 484
Net profit for the period	-	-	-	-	-	-	-	(36 232)	(36 232)	(145)	(36 377)
Other comprehensive income	-	-	-	-	(10)	-	13 666	-	13 656	333	13 989
Total comprehensive income	-	-	-	-	(10)	-	13 666	(36 232)	(22 576)	188	(22 388)
Reclassification in accordance with the resolution of the General Meeting	-	(340 561)	-	340 561	-	-	-	-	-	-	-
Distribution of profit	-	-	-	(70 920)	-	(214 510)	-	285 430	-	-	-
Issuance of bonds convertible into shares	-	-	-	-	-	178	-	-	178	-	178
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4)	(4)
Other changes	-	-	-	-	-	(896)	-	-	(896)	-	(896)
As at 30.09.2020 Unaudited	69 161	-	7 082	269 641	(1 162)	62 112	26 347	(36 232)	396 949	5 425	402 374

Equity attributable to shareholders of parent entity											
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Share premium account	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2020 Audited	69 161	340 561	7 082	-	(1 152)	277 340	12 681	(285 430)	420 243	5 241	425 484
Net profit for the period	-	-	-	-	-	-	-	(109 785)	(109 785)	(201)	(109 986)
Other comprehensive income	-	-	-	-	132	-	22 500	-	22 632	389	23 021
Total comprehensive income	-	-	-	-	132	-	22 500	(109 785)	(87 153)	188	(86 965)
Reclassification in accordance with the resolution of the General Meeting	-	(340 561)	-	340 561	-	-	-	-	-	-	-
Distribution of profit	-	-	-	(70 920)	-	(214 510)	-	285 430	-	-	-
Issuance of bonds convertible into shares	-	-	-	-	-	178	-	-	178	-	178
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4)	(4)
Other changes	-	-	-	-	-	(1 674)	-	-	(1 674)	97	(1 577)
As at 30.12.2020 Audited	69 161	-	7 082	269 641	(1 020)	61 334	35 181	(109 785)	331 594	5 522	337 116

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

These condensed consolidated financial statements of Trakcja Group cover the period of 9 months ended September 30, 2021 and include comparative data for the period of 9 months ended September 30, 2020 and for the period ended December 31, 2020.

Trakcja Capital Group ("Group" or "Trakcja Group") consists of the parent company, namely Trakcja S.A. ("Trakcja", "Parent Company" or "Company") and its subsidiaries (see Note 2).

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

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

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

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

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

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

On July 29, 2020, the District Court for the capital city of Warsaw in Warsaw has registered an amendment in the Statute concerning a change of the Company's name from "Trakcja PRKiL Spółka Akcyjna" to "Trakcja Spółka Akcyjna".

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

The registered office of the Parent Company is located at Al. Jerozolimskie 100 Street in Warsaw. Both the Parent Company and other entities that are members of the Group are established for an indefinite period of time.

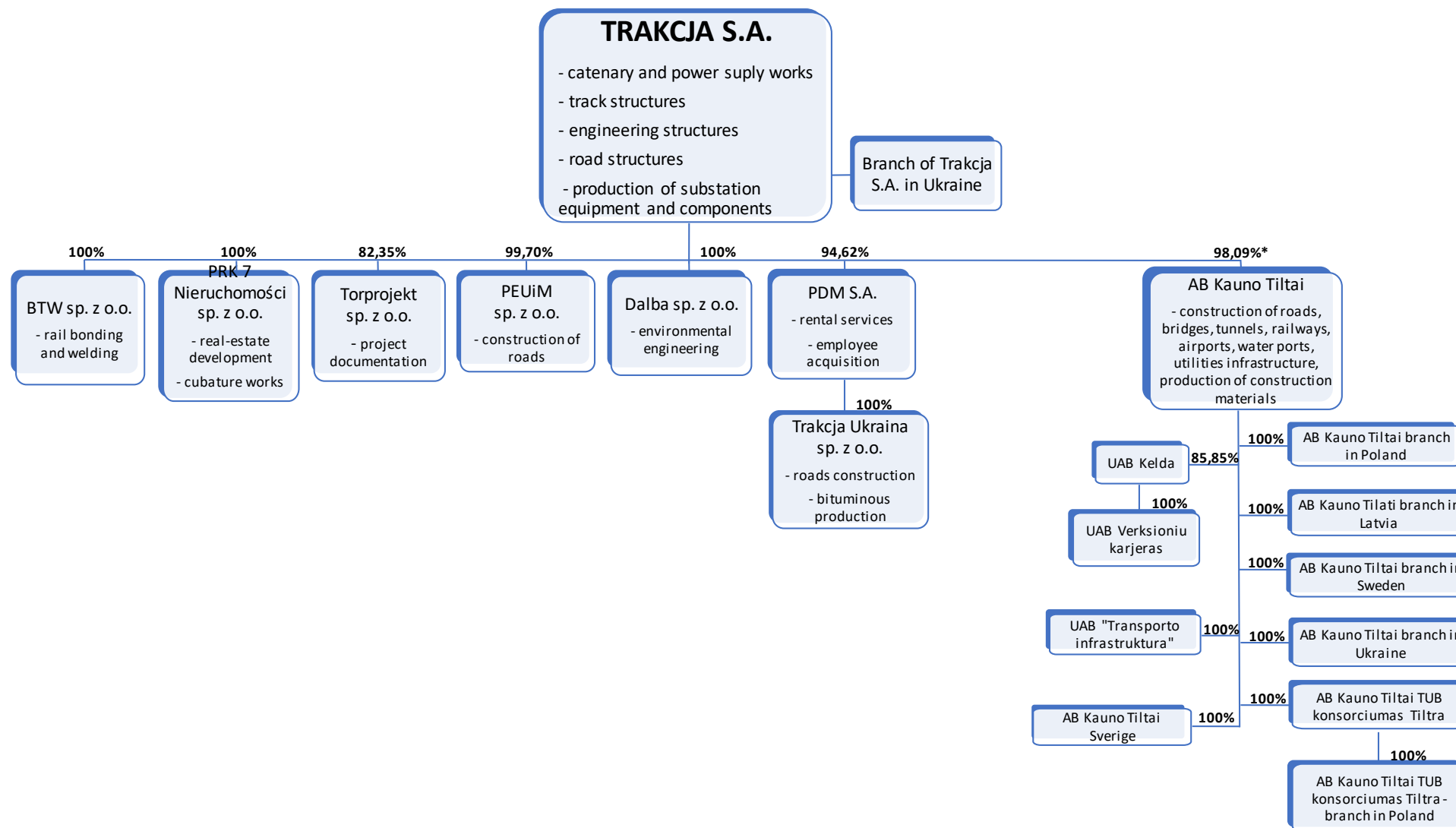
The Group's activities focus on the comprehensive performance of works relating to a widely understood rail and road infrastructure with the use of modern machinery. The Group specialises in providing engineering and construction services in the following scope: design, construction and modernisation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

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

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

2. Group structure

As at September 30, 2021 the Group consists of the Parent Company (Trakcja S.A.) and its subsidiaries. The Group's organisational structure is presented in the diagram below:



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

As at September 30, 2021, the Group consists of the Parent Company (Trakcja S.A.) and its subsidiaries. Fully-consolidated entities in the condensed consolidated financial statements of Trakcja Group in the period of 9 months ended September 30, 2021:

- BTW sp. z o.o. - a subsidiary based in Wrocław, Trakcja owns of 100% of the share capital of this company,
- PRK 7 Nieruchomości sp. z o.o. - a subsidiary based in Warsaw, Trakcja owns of 100% of the share capital of this company,
- Torprojekt sp. z o.o. - a subsidiary with its registered office in Warsaw, Trakcja owns 82.35% of the share capital of this company,
- Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o. ("PEUiM") - a subsidiary with its registered office in Białystok, Trakcja owns 99.7% of the share capital of this company,
- Dalba sp. z o.o. - a subsidiary with its seat in Białystok, Trakcja owns 100% of the share capital of this company,
- PDM S.A. - a subsidiary based in Białystok, Trakcja owns 94.62% of the share capital of this company,
- Branch of Trakcja S.A. in Ukraine,
- Trakcja Ukraina sp. z o.o. - a subsidiary with its seat in Kiev, PDM S.A. owns of 100% of the share capital of Trakcja Ukraina sp. z o.o.
- AB Kauno Tiltai - AB Kauno Tiltai with its seat in Kaunas is a subsidiary of the parent company Trakcja, and at the same time the parent entity of the AB Kauno Tiltai Group. The AB Kauno Tiltai Group consists of the following entities:
 - UAB Kelda - a subsidiary, company based in Vievis (Lithuania), a subsidiary of the company is:
 - UAB Verkšionių karjeras - a subsidiary, company based in Bagotelių K (Lithuania),
 - TUB Konsorciūmas Tiltra – a subsidiary, company based in Kaunas (Lithuania),
 - AB Kauno Tiltai branch in Poland - a branch of the AB Kauno Tiltai company with its seat in Białystok (Poland),
 - AB Kauno Tiltai branch in Latvia - a branch of AB Kauno Tiltai with its seat in Rzekne (Latvia),
 - AB Kauno Tiltai branch in Ukraine - a branch of AB Kauno Tiltai based in Kiev (Ukraine),
 - AB Kauno Tiltai branch in Sweden - a branch of AB Kauno Tiltai based in Norsborg (Sweden),
 - AB Kauno Tiltai Sverige - a subsidiary, company based in Malmö (Sweden),
 - AB Kauno Tiltai TUB konsorciūmas Tiltra - branch in Poland,
 - UAB "Transporto infrastruktūra" - a subsidiary, company based in Vilnius (Lithuania).

3. Changes in the Group structure and their consequences

On March 9, 2021, in line with the decision of October 20, 2020, the liquidation process of UAB Taurakelis and UAB Kedainių Automobilių Keliai, which formed a part of the AB Kauno Tiltai Group, was completed. By September 30, 2021, the Parent Company settled the liquidation of the above companies.

In addition, on August 4, 2021, the Registry Court changed the name of the subsidiary of Trakcja S.A. from "Bahn Technik Wrocław" limited liability company to "BTW" limited liability company.

Apart from the above, there were no changes in the structure of the Trakcja Group in the third quarter of 2021 and after the balance sheet date, including as a result of the merger of units, obtaining or loss of control over subsidiaries and long-term investments, as well as a result of division, restructuring or cessation of business.

4. Parent Company's Management Board

As at September 30, 2021 the Company's Management Board was composed of the following members:

- 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;
- Adam Stolarz - Member of the Management Board.

On May 31, 2021 the Supervisory Board of the Parent Company, pursuant to Article 16(2)(1) in conjunction with Article 18(2)(1) of the Parent Company's Articles of Association, adopted resolutions by virtue of which it appointed the existing four members of the Management Board of the Parent Company, i.e. Messrs Marcin Lewandowski, Paweł Nogalski, Aldas Rusevičius and Arkadiusz Arciszewski, for a new joint term of office commencing on the date of the Annual General Meeting of the Parent Company, i.e. June 29, 2021.

On June 29, 2021, Agencja Rozwoju Przemysłu S.A., a shareholder of the Parent Company, acting pursuant to Article 18(2)(2) and 18(2)(3) of the Parent Company's Articles of Association, submitted a written declaration on the appointment for another term of office of Mr Robert Sobków to the position of Management Board Member responsible for internal audit and Mr Adam Stolarz to the position of Management Board Member responsible for key customers of the Parent Company.

During the third quarter of 2021 the following changes took place in the composition of the Management Board:

- On August 10, 2021, Mr Robert Sobków submitted a statement on termination of the Managerial Contract with the Parent Company, with a 3-month notice period. On August 19, 2021, Mr Robert Sobków resigned from the position of Member of the Management Board effective as of August 19, 2021.

After the balance sheet date to the date of this report there were no other changes in the Management Board.

5. Parent Company's Supervisory board

As at September 30, 2021, the Parent Company's Supervisory Board was composed of the following members:

- Dominik Radziwiłł - Chairman of the Supervisory Board;
- Jorge Miarnau Montserrat - Deputy Chairman of the Supervisory Board;
- Magdalena Komaracka - Deputy Chairman of the Supervisory Board;
- Krzysztof Tenerowicz - Member of the Supervisory Board;
- Klaudia Budzisz - Member of the Supervisory Board;
- Miquel Llevat Vallespinosa - Member of the Supervisory Board;
- Julio Alvarez Lopez - Member of the Supervisory Board.

During the third quarter of 2021 the following changes took place in the composition of the Supervisory Board:

- On July 27, 2021, the Parent Company received a statement from the shareholder COMSA S.A.U., according to which, as of 27 July 2021:
 - Mr Fernando Perea Samarra was dismissed from the position of a member of the Supervisory Board of the Parent Company; and
 - Mr Julio Alvarez Lopez was appointed as a member of the Supervisory Board of the Parent Company.
- On September 10, 2021, pursuant to a resolution of the Extraordinary General Meeting of the Parent Company:

- Mr. Michał Hulbój was dismissed from the position of a member of the Supervisory Board of the Parent Company,
- Ms Magdalena Komaracka was appointed as a member of the Supervisory Board of the Parent Company.

After the balance sheet date, until the date of publication of this report, there were no other changes in the composition of the Supervisory Board.

6. Share capital

As at September 30, 2021 the share capital, in accordance with the entry to National Court Register, 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.

After the balance sheet date, with regard to receiving applications from shareholders of the Company – Agencja Rozwoju Przemysłu S.A. (“ARP”) and COMSA submitted on the grounds of Article 334 par. 2 of the Commercial Companies Code, the Management Board of the Company passed a resolution on converting some of the C series registered shares of the Company held by the aforementioned shareholders into bearer shares in the total number of 12,335,891, comprising 92,939 C series registered shares held by ARP and 12,242,952 C series registered shares held by COMSA.

With regard to the change in question, the amount of the share capital of the Company has not changed and totals PLN 69,160,780.80, and is divided into 86,450,976 shares, including:

- 51,399,548 A series bearer shares;
- 10,279,909 B series bearer shares;
- 12,335,891 C series bearer shares;
- 12,435,628 C series registered shares.

Each share gives the right to one vote at the Company’s General Meeting of Shareholders. All shares are fully paid.

To the best knowledge of the Management Board of the Parent Company, on the grounds of received notifications specified in Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies, the status of shareholders holding directly or through the agency of subsidiaries at least 5% of the general number of votes at the Company’s General Meeting of Shareholders (“GMS”) has changed as of the day of submission of the last periodical report, i.e. on September 15, 2021 until the day of publication of this report.

On September 27, 2021 the Company received a notification from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of the shareholder – Otwarty Fundusz Emerytalny PZU “Złota Jesień” (PZU “Golden Autumn” open pension fund) (“OFE PZU”) on decreasing stake by OFE PZU below 5% in the total number of votes at the GMS, i.e. from 8,332,694 shares that give 9.64% of stake in the Company’s share capital to 4,234,764 shares, i.e. 4.90% of stake in the Company’s share capital.

On the day of publication hereof, the shareholders of the Parent Company are 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 S.A. ¹	16 117 647	18,64%	16 117 647	18,64%
Other	41 934 184	48,51%	41 934 184	48,51%
Total	86 450 976	100,00%	86 450 976	100,00%

¹In compliance with the information forwarded by the shareholder ARP (of which the Company informed in the current report 11/2021 and in the consolidated report for the 1st half of 2021), PKP PLK exceeded 15% of the total number of

votes in Company as a result of adding votes at the disposal of ARP due to the conclusion by ARP and PKP PLK an agreement referred to in Article 87 par. 1 point 5) of the Act on Public Offering.

After the balance sheet day, i.e. on November 19, 2021, ARP and COMSA concluded the preliminary sale contract on shares and the conditional sale contract on bonds issued by the Company. In compliance with the contract, ARP shall purchase all shares held at the moment by COMSA in the share capital of the Company and bonds issued by the Company, and COMSA shall sell them in compliance with the terms and conditions specified in the contract, at the same time depending conduct of the transaction on meeting a series of conditions precedent specified in the contract. The contract has been concluded with the assumption that Company shareholders shall pass a resolution on increasing the Company's share capital from PLN 69,160,780.80 to PLN 269,160,780.80 by issuing 250,000,000 new E series common shares with a value of PLN 0.80 each. Detailed information has been presented in the current report 46/2021.

As on November 29, 2021, upon the request of the shareholder ARP, the Extraordinary Meeting of Shareholders was convened, in the proposed agenda of which passing of a resolution on the increase of the Company's share capital by issuance of E series common bearer shares through a private subscription, with complete exclusion of the pre-emptive right of hitherto shareholders, dematerialization and application for admission and introduction of E series shares to trading on the regulated market run by the Warsaw Stock Exchange, and on the amendment to the Articles of Association, was indicated.

To the best knowledge of the Company, until the day of publication of this report, no changes to the composition of the Company's shareholders other than the aforementioned were made.

Convertible bonds

On February 6, 2020, by the decision of the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register under KRS, a conditional increase in the Company's share capital was entered into the commercial register. In relation to the foregoing, the Company's share capital was conditionally increased from PLN 69,160,780.80 by an amount no higher than PLN 13,023,288 by way of issuing no more than 16,279,110 series D ordinary bearer shares with a nominal value of PLN 0.80 per share. Series D shares may be subscribed by holders of convertible Series F and G bonds issued that the Company issued on May 8, 2020. Detailed information concerning bonds are presented in Note 15 hereof.

7. Number of shares in the Parent Company held by members of its management and supervision bodies

From the date of publication of the last quarterly report, i.e. from September 15, 2021, there have been no changes in the ownership of the Parent's shares by management and supervisory personnel.

The Company's Management Board and Supervision Board members do not hold any shares in the parent company or any of the related entities being members of Trakcja Group.

8. Approval of the financial statements

These condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on November 24, 2021.

9. Significant values based on professional judgement and estimates

Significant values based on professional judgement and estimates are described in detail in Note 7 to the consolidated annual financial statements of Trakcja Group for 2020. In the period of 9 months of 2021, no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at June 30, 2021.

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

9.1. Professional judgement

Fair value of financial instruments

If the market for financial instruments is not active, their fair value is established by using relevant measurement techniques. When selecting methods and assumptions, the Group follows the professional judgement. The assumptions made for this purpose are presented in Note 49 of the Notes to the consolidated financial statements for 2020.

In the third quarter of 2021, the Group has not changed the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

Investment properties

The Group classifies a property as a tangible non-current asset or an investment property depending on its intended use.

Allocation of goodwill to cash generating units

Pursuant to IAS 36, goodwill is allocated to cash generating units. The Group performs tests related to the allocation of goodwill to the appropriate cash generating units.

Classification of joint contractual arrangements

The Group verifies whether it exercises joint control and determines the type of joint arrangement in which it is involved by considering its rights and obligations under a given arrangement and the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances.

Control over related entities

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

Assets held for sale

In this part of its assets The Group includes property, plant and equipment if their carrying amount is recovered primarily through a sale transaction but not through their further use. The Group measures a non-current assets classified as the assets held for sale at the lower value of their carrying amount as well as the fair value lowered by the selling costs. Assets held for sale are understood as assets that are available for immediate sale in their current state on terms that are customary for the sale of such assets, the sale is highly possible and management undertakes to actively seek a buyer. Detailed information on assets held for sale is presented in Note 22 hereof.

9.2. Estimates uncertainty

Measurement of long-term construction contracts

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

If the Company is unable to measure the results of fulfilling a performance obligation in a rational manner, then the revenue earned on account of that contract is recognized only up to the amount of costs incurred that the Company expects to recover.

Separation of non-lease components

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

Defining the lease term

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

Period of use of asset components due to the right of use

The estimated period of use of assets related with the right of use is determined in the same manner as in the case of tangible fixed assets.

Provisions for additional works

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The largest companies that are members of Trakcja Group are obliged to grant warranty for their services. The provision for additional works depends on the segment in which the companies operate and is based on the Group's historical data. It is subject to individual review and may be increased or decreased when necessary. Any change in the estimates affects the value of the provisions. The carrying amount of provisions for additional works is presented in the total amount of provisions in Note 24 of this report.

Provisions for contractual penalties

The Group recognises provisions for contractual penalties in relation to any contracts under completion in the amounts in which they may and are likely to be imposed. Provisions are recognised based on the documentation regarding the contract completion and on the opinion of lawyers who participate in the ongoing negotiations and estimate the Group's potential future liabilities on the basis of their course. The balance sheet amount of provisions for contractual penalties as at September 30, 2021 was presented in the total amount of provisions in Note 24 of this report.

Measurement of employee benefit liabilities

Any employee benefit liabilities for retirement allowances and jubilee bonuses in the current period are estimated on the basis of actuarial methods which take into account the amendments to the remuneration regulations made on September 21, 2020. The amount of liability depends on various factors which are applied as assumptions in the actuarial method. Key assumptions for determining the amount of liability are the discount rate and the average expected increase in wages.

Deferred tax assets

The Group recognises a deferred tax asset assuming that in the future a taxable profit is generated that will allow for its use. Any deterioration in the future taxable profits may result in the assumption becoming unjustified. The Parent Company's Management Board verifies the estimated recoverability of deferred tax assets on the basis of changes in the factors taken into account, new information and past experiences.

The likelihood that deferred tax assets will be utilised against future taxable profits is assumed in the Group's forecast. The Group members recognise deferred tax assets up to the amount corresponding to the likely amount of future taxable profit that will allow for negative temporary differences to be deducted. The Group's companies, which

generated losses in the past and whose financial forecast does not project future taxable profits that would allow for negative temporary differences to be deducted, do not recognise any deferred tax assets in their books.

Amortisation and depreciation rates

Depreciation and amortisation rates are determined on the basis of the expected economic useful lives of tangible non-current assets and intangible assets. Every year the Group reviews the adopted economic useful lives using current estimates. During the 9-month period ended September 30, 2021, no significant changes were made to the depreciation rates applied by the Group.

Investment properties

Investment properties are measured at fair value. The value of investment properties is determined by independent experts who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Group follows the principles set forth in IFRS 13 and in the Real Estate Management Act and also in the Regulation of the Council of Ministers on the detailed principles of property valuation and rules and method for preparing valuation reports. Fair value of investment properties is measured by way of applying measurement techniques that require a maximum use of observable data. As at September 30, 2021, there were no indications of a possible change in the value of investment properties, therefore the Group did not make a valuation as at that date.

Goodwill impairment

Pursuant to IAS 36, cash-generating units to which goodwill has been allocated are tested for impairment annually by the Parent Company's Management Board. The tests performed consist in the estimation of the value in use of cash generating units ("CGU") on the basis of future cash flows generated by such units, which are next adjusted to their present value with the use of a discount rate. As at June 30, 2021, there were indications of impairment of some cash-generating units, and the Group carried out a test on this day, however no impairment was identified.

Impairment of financial assets

In assessing whether financial assets have been impaired, available and generally used methods of valuation were employed, taking into account forecasts of the shaping of future Company cash flows in connection with the held assets.

Impairment of inventories - real estate development

The Management Board assesses whether there are any indications of possible impairment of real estate inventories in accordance with Note 9.13 of the Additional information and notes to the annual consolidated financial statements for 2020. Inventories are valued at cost (acquisition price or manufacturing cost) not higher than their selling price obtainable at the balance sheet date. The acquisition price includes the purchase price plus the costs directly attributable to the purchase and the adaptation of the asset to a usable or marketable condition.

Write-downs of inventories - other

The Management Board assesses whether there are any indications that inventories may need to be written down in accordance with Note 9.13 of the Notes to the Consolidated Financial Statements for 2020. For that purpose, the Company estimates the net realisable value of those inventories that lost their functional properties or are no longer useful. The change the write of inventories is presented in Note 21 of this report.

Expected credit loss on trade receivables and other receivables

Pursuant to IFRS 9, the Group recognizes write-downs on the account of expected credit losses due to trade receivables and other receivables. In terms of trade receivables, the Group applies a simplified method for receivables recognized in the group dimension – for these receivables, a write-down is made for so-called lifelong credit losses, regardless of the analysis of credit risk changes.

Fair value and its measurement

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Group measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. The detailed information on the items measured at fair value is presented in Note 25 and Note 27. Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 26, Note 46 and Note 52 of the Notes to the consolidated financial statements for 2020.

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

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

With reference to note 10 of the annual standalone financial statement of Trakcja Company for the financial year which ended December 31, 2020, note 11 of annual consolidated financial statement of Trakcja Group for the financial year which ended December 31, 2020 the Management Board of the Parent Company provides the following update regarding the matters referred to in the aforementioned notes to the financial statements.

Going concern

These consolidated financial statements for the 9-month period ended September 30, 2021 were prepared based on the going concern assumption and, therefore, do not contain any adjustments in respect of different policies for the recognition and measurement of assets and liabilities that would be required if the going concern assumption was unjustified.

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

Risk to the going concern status

In the period of 9 months ended on September 30, 2021, the Parent Company recorded net loss of PLN 27,789 thousand, and the net working capital amounted to PLN 7,068 thousand as at September 30, 2021.

As at September 30, 2021, the Company's financial liabilities due to credits, lease and bonds amounted to a total of PLN 430,620 thousand (long-term part PLN 360,682 thousand, short term part PLN 69,938 thousand) and in the comparable period as at December 31, 2020 amounted to a total of PLN 386,517 thousand (long-term part PLN 291,713 thousand, short term part PLN 94,804 thousand).

As at September 30, 2021, trade liabilities and other liabilities were at PLN 267,694 thousand, including trade liabilities and retained amounts were at PLN 206,477 thousand, of which overdue PLN 57 675, which were significantly reduced compared to the amount as at December 31, 2020 (trade liabilities and retained amounts overdue as at December 31, 2020 amounted to PLN 121,940 thousand) due to the financing received in the first half of 2021.

Therefore, there is a risk of a threat to going concern.

General situation of the Company

The Parent Company recorded the following results for the 6 months ended on June 30, 2021:

- Gross result on sales: PLN 7,351 thousand (9 months 2020 modified: PLN -3,068 thousand)
- EBITDA: PLN -350 thousand (9 months 2020: PLN -8,355 thousand)
- Net result: PLN -27,789 thousand (9 months 2020: PLN -31,766 thousand)
- Equity: PLN 251,856 thousand (as at December 31, 2020: PLN 279,645 thousand)

Implementation of projects optimising the Parent Company's operations

During the third quarter of 2021 and until the date of publication, the Company continued the implementation Stage II of the Recovery Plan scheduled for 2020-21. The initiatives included in the Recovery Plan are aimed at obtaining financial advantages by the Company, improvement of in-house procedures and optimization of its internal structure among others. Furthermore, in accordance with the financing documentation, the Company provides the credit agent (mBank S.A.) at least once a month with the Management's Board report on the implementation of the Recovery Plan, additionally verified by a consultant.

Continued negotiations on claims

In the period of third quarter of 2021, the Management Board of the Parent Company undertook negotiations with PKP PLK to amicably settle court disputes. As at the date of publication of this report the value of contractual claims, claimed in court by Trakcja with consortium partners and subcontractors against PKP PLK, amounts to a total of PLN 158,6 million (gross amount including interest capitalized as at the date of filing the suit); the amount due to Trakcja is at approximately PLN 120,3 million.

The Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as part of mediations at the Arbitration Court by the General Prosecutor's Office of the Republic of Poland for the amount of PLN 139.2 million (the gross amount together with capitalized interest as of the date when the claim was filed), including for the amount due to Trakcja – about PLN 106,9 million. Detailed information has been provided in note 33 of this report.

As of September 30, 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 277,5 million, including the amount due to Trakcja being PLN 239,4 million.

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

The Trakcja Group order backlog

The Company's order backlog as at September 30, 2021 amounted to PLN 2,115 million (excluding a part of revenues attributable to consortium members), of which PLN 765,4 million are contracts signed in the three quarters of 2021. Moreover, in 2021, the Company submitted the most advantageous bids in public tenders for the total amount attributable to the Company in the amount of PLN 176,1 million.

Solicited new significant contracts

In the period of 9 months ended September 30, 2021, the Company signed the following significant contracts:

- a) on February 11, 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", detailed information was presented in the current report 4/2021 (contract value – PLN 28,3 million net);

- b) on June 2, 2021 the contract for the „Expansion of the Tram Line in Olsztyn”.; details were provided in Current Report no. 18/2-021 (the forecast share of the Company as at the publishing of this report – 162,1 million net); the contract provides for an advance in the amount of 10% of the gross value of the contract.
- c) on July 6, 2021 the contract for the „Construction of a tram route connecting ul. Fordońska with ul. Toruńska, along with the expansion of the road layout and restructuring of the rail transport infrastructure in Bydgoszcz”; details have been provided in Current Report no. 26/2021 (the Company’s share – PLN 124,9 million net);
- d) on August 11, 2021 the contract for the “Work on railroad line no. 7 Warszawa Wschodnia Osobowa – Dorohusk along the segment Warszawa-Otwork-Deblin-Lublin, stage II” segment Warszawa Wschodnia – Warszawa Wawer”, details have been provided in Current Report no. 31/2-021 (the Company’s share – PLN 422,4 million net); the contract provides for an advance in the amount of 10% of the contract’s gross value);
- e) on September 24, 2021 the contract for the “Construction of a pedestrian and bicycle crossing under the tracks along Ostra and Kręta streets in Kiekrz as part of the project works on the E59 railway line on the section Poznań Główny – Szczecin Dąbie” (value of contract – PLN 13,7 million net).

The most advantageous bids submitted during undecided public tenders as at the date of publishing the report:

- a) Expansion of the road and rail system along the route: ulica Ogrodowa-ulica Północna of the segment from ulica Zachodnia to ulica Franciszkańska, Łódź, (value of contract – PLN 37 million net) – resolved tender – the Ordering Party informed the Company about the acceptance of the Company’s offer;
- b) Reconstruction of the Toruń Miasto Railroad Station and Reconstruction of the Toruń Wschodni Railroad Station (value of contract – PLN 26,7 million net) – unresolved tender;
- c) “City Center of Łódź Area Revitalization – Project 4 – Reconstruction of Plac Wolności along with the relocation and conservation of the spa and small architecture and plantings, as well as the construction of a roof for the entrance to the Museum of the “Dętka” Canal – Branch of the Museum of the City of Łódź” (contract value – PLN 28.8 million net) – unresolved tender;
- d) Preparation of project documentation and execution of construction works for the construction of new traction substations Pisarzowa and Limanowa as a part of the Project entitled: “Construction of a new railway line Podłęże – Szczyrzyc – Tymbark/Mszana Dolna and modernization of railway line No. 104 Chabówka – Nowy Sącz” (value of contract – PLN 83,6 million net) – unresolved tender.

Active policy for the management of the Company’s liquidity

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

On March 3, 2021, the Company notified in its current report 6/2021 that it received payment for the sale of the real estate at ul. Lotnicza 100 in Wrocław in the total amount of PLN 53,000 thousand, as follows: the Company received a part of the price in the amount of PLN 2,850 thousand; - a part of the price in the amount of PLN 50,150 thousand the buyer transferred by wire transfer to mBank S.A. bank account, in order to repay the Company’s entire liability under the working capital facility (in the amount of PLN 50,000 thousand, including interest) which allowed to cross out the mortgage that secured the credit.

Within the framework of the contract for the “Performance of designing and construction work within the framework of the project entitled “Revitalisation of railway lines no. 694/157/190/191 Bronów- Bieniowiec - Skoczów - Goleszów - Cieszyn/Wisła Głębce” – Partial Contract A: Performance of designing and construction work along the segment Bronów - Wisła Głębce”, the Company has received the following funds:

- 1) on July 13, 2021 – an advance in the amount of PLN 30,067 thousand gross;
- 2) on July 14, 2021 – release of the performance bond in the amount of PLN 30,067 thousand gross.

On August 3, 2021 within the framework of the contract: “Design and construction of the S-61 Szczuczyn - Budzisko Expressway (state border) with the following division of tasks: Task no. 2: Ełk Południe section hub - Wysokie hub (with an exit along the dk16 route), Trakcja received an advance in the amount of PLN 30,868 thousand gross.

As of September 30, 2021, Trakcja held cash and cash equivalents in the amount of PLN 9,385 thousand and unused credit lines in the amount of PLN 11,110 thousand.

As of the day preceding that when the financial statement has been approved, the Company held cash in the amount of PLN 20,584 thousand and has unused credit lines in the amount of PLN 241 thousand.

Based on the data and assumptions adopted at the time of publication hereof, a financing gap concerning the Company in the amount of approx. PLN 103-141 million was identified (the financing gap disclosed in the financial statement for 2020 was PLN 159-216 million). The estimated amount of the financial gap has been provided without taking into account capital injections (referred to in Current Reports nos. 14/2021, 37/2021 and 40/2021). The Company emphasizes that the indicated value constitutes an estimate which is imprecise and subject to over time changes depending on assumptions regarding the occurrence of future events and is subject to a high risk of variability over time.

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

New sources of funding

During the period of three quarters of 2021 ended September 30, 2021 and until the date of publication of this report, the Company is taking intense action with a view of soliciting capital and debt financing, which would allow the coverage of the financial gap discussed in this report. The above, in particular, includes:

1. on May 10, 2021, in the current report No. 9/2021, the Company informed about the convening of the Extraordinary General Meeting of Trakcja S.A. as of September 10, 2021 in order to Adoption of a resolution on increasing the Company's share capital through the issuance of ordinary bearer shares of series E through a private subscription excluding all the pre-emptive rights of the existing shareholders, dematerialization and applying for admission and introduction of series E shares to trading on a regulated market conducted by the Warsaw Stock Exchange and on amending the Articles of Association;
2. on May 24, 2021, the Company has received from its stockholder ARP notice on the concluding of a conditional understanding between ARP, PKP PLK and the State Treasury of the Republic of Poland – Minister of Infrastructure, which primarily concerns involvement with the Company, within the framework of which, inter alia, PKP PLK has committed itself to subscribe 250 million shares of the Company’s stock, series E, for a total issue price in the amount of PLN 200 million. Detailed information was presented in the current report 10/2021;
3. on May 24, 2021, the Company communicated inside information delayed on 26 November 2020 concerning the receipt of notice from ARP and PKP PLK under Article 87 (1) (5) read jointly with Article 69 (1) (1) read jointly with Article 69b (1 and 2) of the Act of 29 July 2005 on Public Offerings - that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of concluding an understanding between ARP and PKP PLK concerning, inter alia, the exercise of voting rights by ARP by reason of stock held in the Company’s share capital in the manner agreed with PKP PLK, as regards the taking over of shares of stock of the new issue by PKP PLK. Public disclosure of the delayed Inside Information follows from receipt by the Company on May 24, 2021 of notice from ARP, as to which the Company provided detailed information in current report no. 10/2021, to the effect that ARP, PKP PLK and the State Treasury of the Republic of Poland – Minister of Infrastructure concluded a conditional understanding on the potential involvement of PKP PLK with the Company. Detailed information was presented in the current report 11/2021;
4. on May 24, 2021, the Company has received on November 25, 2020 ARP and PKP PLK notice that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of adding votes at the disposal of ARP

following the concluding of an understanding between ARP and PKP PLK stipulated under Article 87 (1) (5) of the Act on Public Offerings. Detailed information was presented in the current report 12/2021;

5. on May 24, 2021, the Company has received from its stockholder, ARP noticed on the concluding of a non-binding understanding between the Company's stockholders, that is, ARP and COMSA, concerning primarily the acquisition by ARP or an entity under the direct or indirect control of the State Treasury of the Republic of Poland or another entity designated by ARP, previously approved by COMSA of all stock issued by the Company, held by COMSA at a particular moment. The Parties have also agreed in the understanding that ARP or the Designated Buyer shall acquire from COMSA all bonds issued by the Company, held by COMSA at a particular moment. Detailed information was presented in the current report 13/2021;
6. on May 24, 2021, the Company has received from its stockholder, ARP a stockholder representing at least one tenth of the Company's share capital – a motion for supplementing draft resolutions concerning business introduced into the Agenda of the Company's Extraordinary Meeting convened for September 10, 2021 ("EM") accompanied by draft resolutions. The draft resolutions notified by the Stockholder include a new draft resolution concerning resolution on the increase of the Company's share capital and concerning amendment to the Memorandum containing i.a. the following points:
 - a. the Company's share capital shall be increased from PLN 69,160,780, by PLN 200,000,000.00 i.e. to PLN 269,160,780.80;
 - b. The increase of the Company's share capital shall be effected through the issuance of 250,000,000 ordinary bearer shares of series E, having the nominal value of PLN 0.80 each;
 - c. Series E Shares will be covered in full only by cash contributions before the registration of the increase of share capital made by issuing Series E Shares;
 - d. the issue of Series E Shares will be conducted by way of private subscription referred to in Article 431 § 2 item 1) of the Code of Commercial Companies as part of an offer addressed to a single investor, i.e. to the company PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw;
 - e. the agreement for taking up Series E Shares should be concluded by within 45 (forty five) days from the date of adoption of the resolution.

Detailed information was presented in the current report 14/2021;

7. on June 17, 2021 the Company has signed the following documents on long-term financing, which cover the following annexes:
 - a. annex which introduces a modified and consolidated credit agreement concluded between the Company and BTW sp. z o.o., PRK 7 Nieruchomości sp. z o.o., Platforma Działalności Międzynarodowej S.A., Przedsiębiorstwo Produkcyjno-Usługowe „DALBA” sp. z o.o., as borrowers and guarantors, and Torprojekt sp. z o.o., Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o., TOB Trakcja Ukraina as guarantors (jointly "Affiliates"), and mBank S.A. with its seat in Warsaw, Credit Agricole Bank Polska S.A. with its seat in Wrocław, Bank Gospodarstwa Krajowego with its seat in Warsaw, as creditors, and ARP as the lender, pursuant to which the Company was granted a new credit and a new loan, and the guaranty line has been modified ("Consolidated Credit Agreement");
 - b. annex which introduces modifications to the agreement between creditors dated June 13, 2019, concluded by the Company, Affiliates, COMSA and creditors, that is: Bank Gospodarstwa Krajowego, ARP, mBank S.A, Credit Agricole Bank Polska S.A., Bank Polska Kasa Opieki S.A., AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A. (presently UNIQA Towarzystwo Ubezpieczeń S.A.), Credendo — Excess & Surety Societe Anonyme, Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Generali Towarzystwo Ubezpieczeń S.A. and COMSA S.A.U. , PZU S.A., UNIQA Towarzystwo Ubezpieczeń S.A. (jointly the "Creditors"), pursuant to which the conditions of cooperation between Creditors have been consolidated, the hierarchy of

receivables has been set out as to which Creditors are entitled from the Company and from Affiliates, as well as of security interests established in the Creditors' favour by the Company and its Affiliates;

- c. annex which introduces modifications to the agreement on joint conditions, concluded by the Company, Affiliates, mBank S.A., Credit Agricole Bank Polska S.A., Bank PKO S.A., Bank Gospodarstwa Krajowego and ARP, pursuant to which the conditions of granting financing to the Company and Affiliates by creditors which are banks and the ARP – have been consolidated;
- d. annex which introduces modifications to the understanding on the consolidation of selected conditions of granting guaranty and surety agreements of June 13, 2019, concluded by the Company, Affiliates, AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A. (now UNIQA Towarzystwo Ubezpieczeń S.A.), Credendo – Excess & Surety Societe Anonyme, operating in Poland through Credendo – Excess & Surety Spółka Akcyjna Oddział w Polsce [Polish Branch], Generali Towarzystwo Ubezpieczeń S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A., PZU S.A. and UNIQA Towarzystwo Ubezpieczeń S.A., pursuant to which the conditions of granting financing to the Company and Affiliates by creditors which are insurance companies – have been consolidated (“Insurance Agreement on Joint Conditions”).

(the documents specified in a-d shall be jointly referred to as “Financing Documents”).

Pursuant to the Consolidated Credit Agreement and under its terms, the Company which is the borrower:

- a. has been granted a new, open-end credit of a total amount equal to PLN 52,983 thousand;
- b. has been granted a new, open-end loan of a total amount equal to PLN 52,746 thousand;
- c. the bank guaranty lines have been modified, inter alia, by extending their periods of availability.

In particular, two new guaranties for returning an advance shall be issued, in amounts, as appropriate: PLN 30,067 thousand and PLN 30,868 thousand.

Additionally, as the Insurance Agreement on Joint Conditions has been modified, a new good performance guaranty shall be issued by insurance companies in an amount of PLN 30,067 thousand.

Furthermore, the Consolidated Credit Agreement also provides for capital injections to the Company by PKP PLK S.A. in an amount of no less than PLN 200,000 thousand by January 31, 2022. In the event the capital injection is not effected, the Company commits itself to conduct the sale of its subsidiary – AB Kauno Tiltai.

The foregoing information is contained in Current Report no. 20/2021.

8. the Company has concluded in June 23, 2021 a consulting agreement with KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k., which marks the beginning of a review of strategic options for the Trakcja Group. This process shall concern the Issuer's capital structure. The Management Board shall review the Company's assets and areas of activity of the Issuer's group with a view of divestments as regards the potential sale of shares held in subsidiaries.

Detailed information was provided in Current Report no. 21/2021.

9. on June 24, 2021 the Company received notice from mBank S.A. (“mBank”), acting in the capacity of credit agent, on the satisfaction on 24 June 2021 of the conditions precedent specified in the annex to the credit agreement dated June 17, 2021 concluded between the Company, Bahn Technik Wrocław sp. z o.o., PRK 7 Nieruchomości sp. z o.o., PDM S.A., Przedsiębiorstwo Produkcyjno - Usługowe „DALBA” sp. z o.o., Torprojekt sp. z o.o., PEUiM sp. z o.o. and TOB Trakcja Ukraina („Affiliates”), mBank, Credit Agricole Bank Polska S.A., BGK, ARP, Bank PKO S.A. (Annex to the Credit Agreement), which has introduced the modified and consolidated credit agreement (“Consolidated Credit Agreement”), as to the conclusion of which the Company informed in Current Report no. 22/2021.

10. As a result of triggering the documentation concerning long-term financing, the Company has received the following funds in 2021 until the date of publishing the report:

- a. under the loan from ARP in the amount of PLN 52,746 thousand;
- b. under open end credit from BGK, mBank, ARP in the amount of PLN 52,983,000.00 (including mBank and BGK – PLN 43,892,000.00 and ARP – PLN 9,091 thousand);
- c. by reason of proper performance of the “Wisła” contract in the amount of PLN 30,067 thousand on July 13, 2021 (return of the deducted amount of 7%);
- d. under an advance on the “Wisła” contract in a gross amount of PLN 30,067 thousand on July 14, 2021;
- e. under an advance on the “Ełk” contract in a gross amount of PLN 30,868 thousand on August 3, 2021.

The total amount of the foregoing proceeds amounts to PLN 196,731 thousand.

The foregoing proceeds have allowed the Company to unblock the possibilities of performing the contracts by payments in favour of sub-contractors and suppliers of materials, as well as triggering of invoicing associated with the supply of statements by subcontractors on non-arrears in payments. Furthermore, after the balance sheet date, the Company was able to reduce trade liabilities past due over 60 days. There has been significant improvement in the flow of trade receivables, which was associated with the triggering of payments blocked by subcontractors.

11. The Extraordinary Meeting of the Company was held on September 10, 2021; as a result of a motion submitted by ARP, a shareholder (which represents at least one twentieth of the Company's share capital), the review of the agenda item concerning a resolution on increasing the Company's share capital – was waived.

Additionally, at the motion submitted by ARP, a resolution was adopted on the convening of an Extraordinary Meeting for November 29, 2021, 10:00 o'clock, on which the above-mentioned resolution on increasing the Company's share capital is to be reviewed, previously waived by the Extraordinary Meeting on 10 September 2021).

Detailed information was provided in Current Report no. 37/2021.

12. on September 10, 2021 the Company informed by Current Report no. 40/2021 on the convening of an Extraordinary Meeting of the Company for November 29, 2021 for the purpose of adopting the resolution on increasing the Company's share capital by issuing ordinary Series E bearer shares by means of a private subscription with the complete exclusion of the drawing rights of the to-date shareholders, dematerialization and application for a marketing permit in the regulated market run by the Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Securities Exchange) for the Series E shares and concerning the amendment of the Company's Memorandum.

13. after the balance sheet date, i.e. in October 12, 2021, the Parent Company signed a sale agreement pursuant to which the Company sold to Dantex spółka z ograniczoną odpowiedzialnością sp. k. the right of perpetual usufruct of real estate located in Warsaw, Targówek district at ul. Oliwska 11 in Warsaw for a price of PLN 25,000 thousand net, which, in accordance to the concluded sale agreement, the Company received on the date of signing the above-mentioned agreement.

Detailed information was provided in Current Report no. 43/2021 and note 22 of this report.

Risks related to the SARS CoV-2 pandemic

A detailed description of risks is presented in section 2.5 of the Management Board's Report on the Company's operations in 2020.

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

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

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

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

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

Actions taken by the Company within the framework of review of strategic options

The Parent Company is in the process of reviewing strategic options. The Trakcja Management Board is in the process of analyzing the Parent Company's assets and areas of activity of the Issuer's group with a view of divestments as regards the potential sale of shares or stock held in subsidiaries. The above-mentioned review of strategic options is being conducted in parallel to the process of increasing the share capital as its alternative in the event of no capital injections for the Parent Company (as informed by the Company in Current Report no. 21/2021). As at the date of publishing this report, no decisions have been reached as to the implementation of options in this regard.

Risk of not achieving the values of financial ratios provided under the Agreement

Pursuant to the signing on June 17, 2021 of a number of annexes to the agreements referred to in Current Report no. 20/21, Trakcja is obliged to comply with the financial ratios (hereinafter "Covenants") associated with the current financial situation of the Parent Undertaking and Group. The Agreement provides for the first verification of the Company's and Group's compliance with the Covenants on December 31, 2021, and subsequently

within quarterly intervals by the Company and annual intervals the Group until September 30, 2023. Accordingly, there exists a risk of not achieving the values of financial ratios on December 31, 2021.

Risk of failure of undertaken actions

The Parent Company's Management Board prepared the financial statements with the assumption of continued operation for at least 12 months following the date of approval of these statements for publication. The continuation of the Company's operation is contingent on the effective implementation process of covering the financial gap within the framework of the second funding round, which takes into account financial capital, debt and guaranty instruments. The Company's Management Board draws particular attention to the risk of failure of the conditional understanding between ARP, PKP PLK and the State Treasury of the Republic of Poland-Minister of Infrastructure which primarily concerns involvement in the Company, under which PKP PLK committed itself to subscribe 250 million Series E Company shares for the issue price in the amount of PLN 200 million. There is also a risk that in the event the Company receives no capital injections, the proceeds of any sale of the AB Kauno Tiltai subsidiary or of other non-operative assets and shares in subsidiaries identified within the framework of the strategic options review- will not be sufficient for the whole coverage of the estimated financial gap.

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

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

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

1. commencing negotiations with the Parent Company's creditors concerning debt restructuring combined with taking steps permitted by applicable legal regulations, aimed at protecting the Company and the interests of the creditors and shareholders;
2. mitigation of risk as regards the success of increasing capital by a subscription of 250 million Series E Company shares – the Parent Company has taken alternative courses concerning the divestment of the Parent Company's key assets as an alternative action for covering the financial gap;
3. conducting operational restructuring involving the sale of assets that are not used in the core operating activities, inter alia shares in subsidiaries, tangible fixed assets;
4. limiting the scope of the Parent Company's operations.

11. Basis for preparing the consolidated financial statements

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

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

These consolidated financial statements are prepared on the assumption that the Group remains a going concern in the foreseeable future. As at the date of authorisation of these consolidated financial statements, there are circumstances indicating a threat of continuation operations by the Group. Details are described in note 10 of this report.

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

The subsidiaries of AB Kauno Tiltai Group and the following subsidiaries: PRK 7 Nieruchomości Sp. z o.o., Torprojekt Sp. z o.o., PEUIM Sp. z o.o., Dalba Sp. z o.o., PDM S.A., Bahn Technik Wrocław Sp. z o.o., Trakcja Ukraina Sp. z o.o. are consolidated using the full consolidation method.

All intra-group transactions and balances, including unrealised profits on intra-group transactions, have been completely eliminated. Unrealised losses are eliminated unless they are an impairment indicator.

Non-controlling interests are that portion of the profit or loss and net assets which are not owned by the Group. Non-controlling interests are presented as a separate item in the consolidated income statement and the consolidated statement of comprehensive income and also the consolidated balance sheet (within equity), separately from the equity of the owners of the Parent Company. At the acquisition of non-controlling interests, any difference between the acquisition price and the carrying amount thereof is recognised in the equity.

12. Statement of compliance

These condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union. At the approval hereof, as far as the accounting principles adopted by the Group are concerned, there are no significant differences between the IFRS standards and the IFRS standards approved by the EU.

The IFRS include standards and interpretations approved by the International Accounting Standards Board and the IFRS Interpretations Committee.

Measurement currency and currency of the financial statements

The Polish zloty is the measurement currency of the Parent Company and the majority of the companies within the Group, as well as the reporting currency in these condensed consolidated financial statements. The euro is the measurement currency of the companies with their registered offices in Lithuania, whereas the Swedish crown (SEK) is the currency of AB Kauno Tiltai Sverige and the AB Kauno Tiltai branch in Sweden; the Bulgarian lev (BGN) is the currency of the establishment of Trakcja S.A. in Bulgaria, and the Ukrainian hryvnia (UAH) is the currency of Trakcja Ukraina Sp. z o.o. and the establishment of Trakcja S.A. in Ukraine.

13. Significant accounting principles

The accounting principles (policy) applied to these condensed consolidated financial statements for the 9-month period ended September 30, 2021 are consistent with those applied to the annual consolidated financial statements for 2020, except for the changes described below. The same principles apply to both the current and comparable period, unless a given standard or interpretation is to be applied only prospectively.

Changes introduced by the Group independently

On June 25, 2020, the Management Board of Trakcja adopted a resolution of cost relocation instructions, in which a new way of allocating the costs of units and organizational units to individual cost positions was specified. Therefore, as of July 1, 2020, the Group made a change in the presentation of the costs related to the implementation of contracts. In conjunction with the adopted instruction, individual rules for the reallocation of costs to appropriate cost positions have been established for each organizational unit of the Trakcja Company's headquarters.

In accordance with IAS 8 (22) "Retrospective application": an entity discloses comparative information for each period as if the changed accounting policy had always been applied, which means that the Parent Company should apply the change described above since January 1, 2020. The change introduced by the Group does not affect the Group's net result and equity, and only constitutes an adjustment in presentation among the elements of the Issuer's profit and loss account.

Both Group and Company have made a change in the presentation of a comparable data from January 1 to September 30, 2020. This resulted in the following impact on the comparable period:

- cost of goods sold was increased by PLN 4,044 thousand,
- the costs of sales, marketing and distribution were increased by PLN 217 thousand,
- while general and administrative costs were decreased by PLN 4,261 thousand.

Amendments to standards that have already been published, but which not become effective yet

The following amendments were not applied to other standards that have been published and approved for use in the EU, but which have not become effective yet.

- Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements, 2018-2020, the amendments to these standards were published on May 14, 2020 and are effective for annual periods beginning on or after January 1, 2022. Modifications include, inter alia, the introduction of a prohibition of decreasing the expenses of manufacturing fixed assets by revenues from the sale of test products generated during the process of manufacturing/commissioning of a fixed asset.

The Group will apply the amended standards from January 1, 2022. As at the date of these financial statements, it is not possible to reliably estimate the impact of the application of the revised standards.

IFRS as approved by the EU does not currently differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, interpretations and amendments thereto, which at the date of approval of these financial statements for issue have not yet been adopted for application by EU countries:

- IFRS 14 "Regulatory Deferral Accounts", published on January 30, 2014 (suspended process of approval for use in the EU countries);
- IFRS 17 "Insurance Contracts", published on May 18, 2017, as amended on June 25, 2020;
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture, published on September 11, 2014 (suspended process of approval for use in the EU countries);
- Amendment to IAS 1 Presentation of Financial Statements: Classification of liabilities as current and non-current, published on January 23, 2020;
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS 2 Code of Practice: Disclosure of Accounting Policies (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 12 "Income taxes": Assets and liabilities deferred tax arising as a result of a single transaction (effective for annual periods beginning on or after January 1, 2023).

The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations would have no material impact on the consolidated financial statements of the Group, if they have been applied by the Group as at the balance sheet date.

14. Description of factors and events that have a significant impact on the financial performance of Trakcja Group in the third quarter of 2021

As at September 30, 2021, the portfolio of construction contracts of Trakcja Group was PLN 2,673 million (excluding revenues allocated to consortium members). In the period of three quarters of 2021, the companies within Trakcja Group signed construction contracts with the total value of PLN 1,095 million (excluding revenues allocated to consortium members), from which PLN 682 million are contracts signed during the third quarter of 2021. In seeking to maximise its production potential, Trakcja Group continues to participate in new contract award procedures.

The factor which had a significant impact on the gross profit on sales in the 9-month period of 2021 was an increase in the scope of works on selected contracts in the Parent Company, which had a positive impact on the improvement of the margin due to the additional revenues found in the budgets of these contracts. A positive impact on the gross profit on sales of the Parent Company, and consequently for the entire Group, was also caused by the additional revenues found in the budgets of selected contracts, which were a result of valorization of contracts, due to the increase in price indices. In addition, the level of gross margin on sales was influenced by the technical optimization on selected contracts, resulting in a reduced budgeted costs, as well as organizational optimization resulting in an

increased efficiency on selected contracts. In the third quarter of 2021, the impact of updating the budgets of the Parent Company's contracts on the consolidated gross result was positive and amounted to PLN 12,726 thousand.

The Trakcja Group's sales revenues for the third quarter of 2021 were PLN 434,501 thousand, i.e. they increased by PLN 35,471 thousand as compared to the analogous period of 2020. The cost of goods sold increased by PLN 16,581 thousand and was PLN 397,254 thousand.

The Group's gross profit on sales for the third quarter of 2021 was PLN 37,247 thousand, i.e. it was by PLN 18,890 thousand higher than that for the analogous period of the preceding year. In the third quarter of 2021, the gross profit margin on sales was 8.6%, while in the corresponding period of 2020 it was 4.6%. An increase in the gross profit margin on sales resulted mainly from the fact that the gross profit on sales incurred by the Parent Company in the period between July and September 2021 increased by PLN 18,229 thousand as compared to the corresponding period of the preceding year, and amounted to PLN 17,923 thousand.

The general and administrative costs for the third quarter of 2021 were PLN 15,458 thousand and increased by 23.7%, i.e. by PLN 2,958 thousand, compared to the corresponding period of 2020. The increase was caused by an increase in the Parent Company's costs by PLN 1,282 thousand, which resulted, primarily, from creation of a provision for annual leave in the amount of PLN 833 thousand. The AB Kauno Tiltai Group's general and administrative costs also increased, and in the third quarter of 2021 were higher by PLN 906 thousand compared to the corresponding period of 2020. In the analysed period, the costs of sales, marketing and distribution at Trakcja Group were PLN 1,620 thousand and increased by PLN 103 thousand in relation to the third quarter of 2020.

The balance of the Group's other operating activities reached a negative value of PLN -338 thousand and decreased by PLN 3,371 thousand compared to the corresponding period. The decrease in the balance of other operating activities was influenced by one-off events occurring in the third quarter of 2020, including: recognition of revenues from revaluation of investment properties in the amount of PLN 1,416 thousand in the Parent Company, transfer of costs in the third quarter of 2020 in the Parent Company due to the write-down of bad debts to the cost of goods sold in the amount of PLN 1,592 thousand.

In the third quarter of 2021 the Group generated operating profit in the amount of PLN 19,831 thousand, which increased by PLN 11,336 thousand compared to the comparable period, when the operating profit amounted to PLN 8,495 thousand.

In the period between July and September 2021 the Group's financial activity balance reached a negative value of PLN -8,006 thousand and decreased by PLN 2,465 thousand compared to the corresponding period of 2020, when it reached a negative value of PLN -5,541 thousand. The Group's financial revenues decreased by PLN 84 thousand, while financial costs increased by PLN 2,381 thousand. Financial costs in the Trakcja Group increased mainly due to an increase of financial costs in the Parent Company by PLN 2,731 thousand, which was a result of higher fees and commissions expenses that were PLN 1,262 thousand, as well as an increase in interest costs by PLN 945 thousand and interest on loans and advances by PLN 722 thousand.

The Group's gross profit for the period from July 1, 2021 to September 30, 2021 was PLN 11,825 thousand. The gross profit for the third quarter of 2021 increased by PLN 8,871 thousand as compared to the third quarter of 2020, when it was PLN 2,954 thousand. The income tax for the third quarter of 2021 decreased the net profit by PLN 4,529 thousand and was higher by PLN 3,444 thousand than the income tax for the corresponding period of the previous year. The Group's net profit for the period from July 1, 2021 to September 30, 2021 was PLN 7,296 thousand, which increased by PLN 5,427 thousand compared to corresponding period of 2020.

At the end of the third quarter of 2020, the Group's balance sheet total was PLN 1,454,242 thousand and was lower by 1.6% than the balance sheet total at the end of 2020.

Non-current assets decreased by PLN 14,385 thousand, i.e. by 2.5% of the value of non-current assets as at December 31, 2020 and reached PLN 566,934 thousand, while current assets decreased by PLN 9,129 thousand, i.e. by 1.0% compared to the value of current assets as at December 31, 2020 and reached PLN 887,308 thousand.

The decrease in non-current assets occurred mainly due to a decrease in the value of property, plant and equipment by PLN 10,883 thousand, which as at 30 September, 2021, amounted to PLN 274,424 thousand. The decrease in non-current assets was also influenced by a decrease in goodwill from consolidation by PLN 4,983 thousand due to the foreign exchange differences, which in the analyzed period reached the amount of PLN 133,554 thousand.

The decrease in the current assets resulted primarily from a decrease in cash and cash equivalents by PLN 69,124 thousand, i.e. by 50.8% compared to December 31, 2020. In turn, contracts with customers assets increased by PLN 55,126 thousand, which as at September 30, 2021 reached PLN 258,399 thousand.

As of September 30, 2021, the total equity of the Group decreased by PLN 34,412 thousand, i.e. by 10.2% compared to its balance as of December 31, 2020.

As at September 30, 2021 the long-term liabilities were PLN 381,798 thousand and increased by PLN 40,951 thousand, i.e. by 12.0%, as compared as at December 31, 2020. The increase in long-term liabilities results mainly from the increase in long-term interest-bearing loans and borrowings, which as at September 30, 2021, were PLN 323,514 thousand and increased by PLN 42,362 thousand, i.e. by 15.1%, as compared as at December 31, 2020.

The short-term liabilities were PLN 769,740 thousand and decreased by 3.8%, i.e. by PLN 30,053 thousand, as compared to the amount thereof as at December 31, 2020. The decrease resulted in particular from a decrease in the trade and other liabilities by PLN 46,084 thousand, i.e. by 10.6% compared to the end of 2020. In turn, contract liabilities increased by PLN 12,012 thousand compared to the corresponding period of 2020, the value of which amounted to PLN 212,563 thousand as at September 30, 2021.

In the beginning of 2021, the Group's cash and cash equivalents, as disclosed in the consolidated statement of cash flows, were PLN 135,906 thousand and at the end of the 9-month period their balance was PLN 67,054 thousand. The total net cash flows for the first 9 months of 2021 were negative and amounted to PLN 68,852 thousand, i.e. they increased by PLN 6,577 thousand in comparison with the corresponding period of 2020.

Current and expected influence of COVID-19 on the financial situation, results, cash flow

The outbreak and current developments of the SARS CoV-2 pandemic in Poland and on other markets, on which the Group conducts business, had little effect on the Group's operations and financial results in the period 9 months of 2021 ended September 30, 2021.

The Company's Management Board regularly monitors the development of the situation and analyses the potential influence of the pandemic on the Company's and the Group's business, results and perspectives, including the need to change valuations of contracts and the Group's liquidity indices. Simultaneously, it cannot be excluded that the above circumstances may adversely affect the Group's activity, its financial situation, results, perspectives, as well as the price of shares in the coming periods. As at the date of publication of this report, the current status of the SARS CoV-2 pandemic has not substantially affected the Group's strategic orientation and operational goals and its financial situation. If the pandemic has a significant impact on the financial situation and assets of the Group and the Company, the Management Board of Trakcja will notify thereof the stockholders in a separate current report.

15. Information on issue, redemption and repayment of debt or equity securities

In the third quarter of 2021, the Company did not issue, redeem or repay any debt or equity securities.

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

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

*) In conjunction with Resolution No. 6 of the Extraordinary General Meeting of TRAKCJA Spółka Akcyjna of September 10, 2021 regarding the amendment of Resolution No. 3 of the Extraordinary General Meeting of the Company of December 10, 2019 on the issue of series F and G bonds convertible into series D shares, exclusion in full

of the pre-emptive right of existing shareholders, in relations to series F and G bonds convertible into shares, new texts have been signed until the date of publication of this report uniform Terms and Conditions of Bond Issue, which take into account:

- a) changing the redemption date of the Series F Bonds from December 30, 2022 to December 31, 2023;
- b) changing the redemption date of the Series G Bonds from December 30, 2022 to February 1, 2024;
- c) changing the date of possible conversion of Series G Bonds into Series D shares, i.e. from February 1, 2022, the conversion of these Bond into Series D Shares may be made at any time before the date of their redemption (currently, the conversion may take place no more than once a quarter).

16. Amounts that have had a significant impact on assets, liabilities, equity, net profit/loss or cash flows which are atypical due to their type, size, impact or frequency

In the opinion of the Management Board, in the 9-month period ended September 30, 2021, except for the factors described in other notes hereto, no other significant events occurred, which could have had an impact on the assessment of the Trakcja Group's financial condition. The Group's performance for the year was primarily affected by the contracts completed by the Group.

17. Brief description of significant accomplishments or failures in the third quarter of 2021

In the third quarter of 2021, Trakcja Group reported a net loss of PLN 30,367 thousand, compared to a net loss of PLN 36,377 thousand in the corresponding period of the previous year.

The Group's significant achievements in the third quarter of 2021 include:

- Signing new contracts valued at PLN 1,094.8 million (excluding the part assigned to consortium partners);
- Further rebuilding of the order backlog; as at September 30, 2021, the portfolio of construction contracts of Trakcja Group was PLN 2,673 million (excluding revenues allocated to consortium members);
- continuation of the implementation of the Recovery Plan by the Parent Company, under which the Company carries out a number of activities aimed at i.a. obtaining financial benefits by the Company, streamlining the internal procedures, optimizing the internal structure;
- receipt of payment for the sale of real estate at 100 Lotnicza Street in Wrocław in the total amount of PLN 53,000 thousand (about which the Company informed in current report no. 6/2021) as follows: part of the price in the amount of PLN 2,850 thousand was received by the Company and part of the price in the amount of PLN 50,150 thousand was transferred by the buyer by the bank transfer to the account of mBank S.A. in order to repay the entire liability of the Company under the working capital loan (in the amount of PLN 50 million together with interest);
- Conducting intensive activities in order to obtain both capital and debt financing, which are described in detail in note 10 hereof.

18. Information on operating and geographical segments

Segments are described in the consolidated annual financial statements of Trakcja Group for 2020.

Key customers:

In the period of 9-months of 2021, revenues from transactions with external single customers were respectively 10% or more of the Group's total revenues. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below.

Total revenue obtained in 9 months ended 30.09.2021 by a single recipient (TPLN)	Segment presenting the revenues
393 771	Civil construction - Poland
128 636	Construction, engineering and concession agreements - Baltic
118 612	Civil construction - Poland

The Group does not present its revenues from external customers by revenues from goods and revenues from services, because the performance of segments is analysed in terms of the construction contracts completed by individual segments.

Operating segments

For the period from 1.01.2021 to 30.09.2021

Unaudited

	Continued operations						Total operations
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	
Revenues							
Sales to external customers	587 697	358 249	22 528	968 474	-	-	968 474
Sales between segments	491	-	53	544	-	(544)	-
Total segment revenues	588 188	358 249	22 581	969 018	-	(544)	968 474
Results							
Depreciation	18 895	8 873	292	28 060	-	-	28 060
Financial income - interests	493	472	151	1 116	-	(445)	671
Financial expenses - interests	13 014	871	141	14 026	-	(445)	13 581
Gross profit	(33 711)	4 257	(1 933)	(31 387)	-	1 514	(29 873)

For the period from 1.01.2020 to 30.09.2020

Unaudited

	Continued operations						Total operations
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	
Revenues							
Sales to external customers	535 183	391 462	30 802	957 447	-	-	957 447
Sales between segments	495	-	1 126	1 621	-	(1 621)	-
Total segment revenues	535 678	391 462	31 928	959 068	-	(1 621)	957 447
Results							
Depreciation	18 638	9 114	514	28 266	-	-	28 266
Financial revenues - interests	126	255	368	749	-	(424)	325
Financial expenses - interests	13 318	1 439	173	14 930	-	(424)	14 506
Gross profit	(42 881)	5 550	(1 577)	(38 908)	-	(2 174)	(41 082)

As at 30.09.2021

	Continued operations			Total	Discontinued operations	Exclusions	Total operations
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments				
Segment assets	1 091 942	537 753	61 673	1 691 368	-	(300 835)	1 390 533
Assets not allocated to segments							63 709
Total assests							1 454 242
Segment liabilities*	546 089	270 961	19 531	836 581	-	(66 841)	769 740
Other disclosures:							
Capital expenditure	(4 889)	(12 686)	(94)	(17 669)	-	-	(17 669)
Impairment of non-financial assets	-	-	-	-	-	-	-

*short-term liabilities were allocated to assess segment

As at 31.12.2020

Audited

	Continued operations			Total	Discontinued operations	Exclusions	Total operations
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments				
Segment assets	1 067 483	549 149	59 311	1 675 943	-	(261 794)	1 414 149
Assets not allocated to segments							63 607
Total assests							1 477 756
Segment liabilities*	593 914	276 979	14 203	885 096	-	(85 303)	799 793
Other disclosures:							
Capital expenditure	(10 005)	(12 234)	(1 441)	(23 680)	-	-	(23 680)
Impairment of non-financial assets	(925)	(40 467)	-	(41 392)	-	-	(41 392)

*short-term liabilities were allocated to assess segment

Geographical segments

The key data concerning geographical segments has been presented below.

For the period from 1.01.2021 to 30.09.2021*Unaudited*

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Revenues						
Sales to external customers	610 262	358 212	968 474	-	-	968 474
Sales domestic/ abroad	484	-	484	-	(484)	-
Total segment revenues	610 746	358 212	968 958	-	(484)	968 474

For the period from 1.01.2020 to 30.09.2020*Unaudited*

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Revenues						
Sales to external customers	564 882	392 565	957 447	-	-	957 447
Sales domestic/ abroad	255	-	255	-	(255)	-
Total segment revenues	565 137	392 565	957 702	-	(255)	957 447

As at 30.09.2021*Unaudited*

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Operating assets	1 145 035	546 333	1 691 368	-	(300 835)	1 390 533
Segment liabilities*	580 578	256 003	836 581	-	(66 841)	769 740

* short-term liabilities were allocated to assess segment

Operating assets*Audited*

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Operating assets	1 117 123	558 820	1 675 943	-	(261 794)	1 414 149
Segment liabilities*	623 970	261 126	885 096	-	(85 303)	799 793

* short-term liabilities were allocated to assess segment

19. Profit (loss) per share

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

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

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

	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021	01.01.2020- 30.09.2020	01.07.2020- 30.09.2020
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Net profit (loss) from continued operations	(30 367)	7 296	(36 377)	1 869
Net profit applied to calculate diluted earnings per share	(29 459)	7 605	(35 996)	2 156
Net profit attributable to shareholders of Parent entity	(30 407)	7 144	(36 232)	1 762
Net profit attributable to shareholders of Parent entity applied to calculate diluted earnings per share	(29 499)	7 453	(35 851)	2 049
Number of issued shares (pcs)	86 450 976	86 450 976	86 450 976	86 450 976
Weighted average number of issued ordinary shares applied to	86 450 976	86 450 976	86 450 976	86 450 976
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	102 730 086	102 730 086	95 097 390	102 730 086

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

	Period ended			
	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021	01.01.2020- 30.09.2020	01.07.2020- 30.09.2020
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
- basic	(0,35)	0,08	(0,42)	0,02
- diluted	(0,29)	0,07	(0,38)	0,02

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

	Period ended			
	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021	01.01.2020- 30.09.2020	01.07.2020- 30.09.2020
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
- basic	(0,35)	0,08	(0,42)	0,02
- diluted	(0,29)	0,07	(0,38)	0,02

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

	Period ended			
	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021	01.01.2020- 30.09.2020	01.07.2020- 30.09.2020
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
- basic	(0,35)	0,08	(0,42)	0,02
- diluted	(0,29)	0,07	(0,38)	0,02

20. Acquisitions and disposals of tangible non-current assets

From January 1, 2021 to September 30, 2021 the Group purchased tangible non-current assets and intangible assets in the amount of PLN 20,644 thousand (as compared to PLN 21,428 thousand in the comparable period of 2020). In this particular amount, the Group also recognizes the increases in property, plant and equipment and other intangible assets resulting from long-term rental agreements in accordance with IFRS 16 in the amount of PLN 2,975 thousand.

From January 1, 2021 to September 30, 2021 the Group sold tangible non-current assets and intangible assets in a total book value of PLN 739 thousand (as compared to PLN 2,693 thousand in the comparable period).

21. Change in impairment losses and expected credit loss

	Goodwill	Inventory	Receivables	Total
As at 1.01.2021	262 692	2 785	97 712	363 189
<i>Audited</i>				
Recognized	-	-	17 063	17 063
Variances due to currency translation	-	9	7	16
Used	-	-	(894)	(894)
Reversed	-	-	(4 515)	(4 515)
As at 30.09.2021	262 692	2 794	109 373	374 859
<i>Unaudited</i>				

In the period of three quarters of 2021, the Parent Company effected an impairment write-off for trade receivables and other receivables in the amount of PLN 17,063 thousand (which includes the amount of PLN 5,391 thousand which was taken into account in the contract budget as a decrease of revenue, and the amount of PLN 6,702 thousand concerned the creation of a write-off of debit notes issued by the Parent Company for recipients and subcontractors during the same settlement period, and accordingly, made no impact on the financial performance for the period). The amount of the created impairment write-off for trade receivables and other receivables, which had an impact on the gross sales result during the third quarter of 2021 amounted to PLN 4,970 thousand.

22. Assets held for sale

On November 30, 2018, the Extraordinary General Meeting of Trakcja S.A. adopted a resolution to dispose of a real estate and perpetual usufruct of a real estate at ul. Oliwska 11 in Warsaw for a net price not lower than PLN 14 million. Detailed information was presented in CR 23/2018 and CR 20/2018. As at September 30, 2021, the real estate was recognised in the amount of PLN 5,037 thousand as non-current assets held for sale.

After the balance sheet date, i.e. on 12 October 2021 the Parent Company signed a sale contract on the grounds of which it sold the real estate and perpetual usufruct to the real estate at 11 Oliwska Street in Warsaw to Dantex sp. z o. o. sp. k. for a price amounting to PLN 25,000 thousand net, which the Company received on the day of signing the aforementioned contract. Detailed information has been presented in the current report 43/2021. This event will have a significant positive impact on the result of the remaining operating activity of the Company and Group Trakcja in the 4th quarter of 2021. The impact of the above transaction will be included in the annual individual financial statement of the Company for 2021 and in the annual consolidated financial statement of the Group for 2021.

With regard to the agreement concluded on 23 June 2021 by the Parent Company with the adviser KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp. k. on advising services within the process of reviewing strategic options, the Management Board is in the middle of the analysis of assets held by the Parent Company and areas of activity of the Group of the Issuer in terms of the disinvestment possibilities concerning the potential sale of held shares or stocks in affiliates. At this stage the Parent Company does not include held shares or stocks in other companies in the position of assets held for sale.

23. Explanation to the consolidated cash flow statement

The balance sheet change of the status of trade receivables and other receivables as at September 30, 2021 amounted to PLN -573 thousand, and the change shown in the cash flow statement is PLN -53,285 thousand. This difference is primarily attributed to the receipt of payment by Trakcja for the sale of fixed assets of a total amount of PLN 53,530 thousand, including the sale of the real property at ul. Lotnicza 100 in Wrocław in 2018 (as informed by the Company in current Report no. 26/2018), for which payment was received in 2021 (as informed by the Company in Current Report no. 6/2021).

As at 30 September 2021 the Group did not have cash excluded from the cash flow statement that concerned funds blocked on accounts of development projects (as at 30.09.2020 amounted to PLN 318 thousand).

The restricted cash in the amount of PLN 7,500 thousand is the Parent Company's restricted funds on bank accounts resulting from the settlement of the received advance payment from the Contracting Authority on one of the contracts.

24. Provisions

As at 01.01.2021	75 061
<i>Audited</i>	
Recognized	20 597
Foreign exchanges due to currency translation	71
Used	(17 702)
Reversed	(1 853)
As at 30.09.2021	76 174
<i>Unaudited</i>	
including	
- long-term	22 254
- short-term	53 920

25. Information on changes in the measurement method for financial instruments measured at fair value

In the third quarter of 2021, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the annual consolidated financial statements of 2020. The carrying amounts of financial assets and liabilities are close to their fair values.

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

Any loans granted, loans and advances and finance lease liabilities incurred are based on the variable market rates linked to WIBOR and EURIBOR, and therefore their fair values are close to their carrying amounts.

In the third quarter of 2020, no fair value was reallocated to level 1, 2 or 3.

26. Assets and liabilities measured at fair value

At fair value The Group measures such categories of assets and liabilities as investment property and financial derivatives. In the period of 9 months ended September 30, 2021 the measurement method for the aforementioned assets and liabilities remained unchanged. The measurement method applied and the unobservable inputs used for measurement are described in detail in the Group's consolidated annual financial statements for 2020.

Balance sheet elements accounted in fair value	Level 1		Level 2		Level 3	
	30.09.2021	31.12.2020	30.09.2021	31.12.2020	30.09.2021	31.12.2020
Investment property	-	-	-	-	26 528	26 587
Office properties	-	-	-	-	22 272	22 331
Land properties	-	-	-	-	2 049	2 049
Deposits of natural resources	-	-	-	-	2 207	2 207

In the third quarter of 2021 no reallocations were made to level 1, 2 or 3.

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

In the third quarter of 2021, the Group did not change the classification of financial assets as a result of a change in their purpose or use.

28. Information material for the assessment of the Parent Company's and Group's employment, assets, financial condition and performance and changes therein, as well as information material for the assessment of the Parent Company's and Group's ability to meet its obligations

For information relevant to the assessment of the staffing levels, assets, financial condition and financial performance of the Parent Company, or changes in any of the foregoing, and information relevant to the assessment of the Parent Company's ability to meet its obligations, see Note 10 and Note 14 of the Notes to the condensed separate financial statements.

No information material for the assessment of the Parent Company's and Group's employment, assets, financial condition and performance and changes therein or for the assessment of the Parent Company's and Group's ability to meet its obligations is available other than that presented in these condensed consolidated financial statements for the 9-month period ended on September 30, 2021.

29. Significant events in the third quarter of 2021 and after the balance sheet date

Please find below a summary of significant events that took place in the third quarter of 2021.

Significant construction contracts	CR
05.07.2021 The Management Board of Trakcja S.A. informs that it has signed today with the City of Bydgoszcz, represented by the Municipal Road and Public Transport Administration in Bydgoszcz a contract for the „Construction of a tram route connecting ul. Fordońska with ul. Toruńska, along with the expansion of the road layout and restructuring of the rail transport infrastructure in Bydgoszcz”. Net value of contract: PLN 124,890 thousand.	26/2021
11.08.2021 The Management Board of the Company Trakcja S.A. informs that today a contract has been signed bilaterally between Trakcja S.A. and PKP Polskie Linie Kolejowe S.A. on the performance of construction works within the Project OPI&E 5.1-11.2 entitled: “Works on the railway line no. 7 Warszawa Wschodnia Osobowa – Dorohusk at the section Warsaw – Otwock – Dęblin – Lublin, stage II” the section Warszawa Wschodnia Osobowa – Warszawa Wawer. Net value of contract: PLN 366,155 thousand.	31/2021
18.08.2021 The Management Board of Trakcja S.A. (the “Company”, the “Issuer”), acting in the capacity of Consortium Leader signed an annex for a supplementary contract to the basic contract entitled “Design and construction of the S-61 Szczuczyn-Budzisko Expressway (state border) with the following division of tasks: Task no. 2: Elk Południe section hub - Wysokie hub (with an exit along the dk16 route). The estimated net value of the remuneration for the performance of additional work shall amount to PLN 23,118,309.59 – which includes the amount of PLN 16,537,938.34, net, for the Issuer. The actual value of the remuneration shall be confirmed by measurements.	33/2021
30.09.2021 The Management Board of Trakcja S.A. hereby informs that today it received information about signing, on September 30, 2021, by the Issuer’s subsidiary, AB Kauno Tiltai, with its registered office in Lithuania, and Kaunas City administration (Kauno miesto savivaldybės administracija), of a Contract for “performance of construction works for the continuation of the Ateities avenue from Palemono Street to T. Masiulio Street in Kaunas, section 1 from Palemono Street (RP 23+38.07 to RP 38+5)”. The total net value of the Contract is equal to EUR 11,517 thousand (PLN 53,307 thousand).	42/2021
Other	CR
21.07.2021 The Management Board of Trakcja S.A. informs that on 21 July 2021 marks the completion of the cyclical review process of long-term contracts and collection of financial data for the purposes of preparing the Company’s unit financial statements for the first half of the year ending on 30 June 2021.	27/2021
26.07.2021 Management Board of Trakcja S.A. announces that the Company has today received a notification submitted by Comsa S.A.U., seated in Barcelona, as a person closely related to Fernando Perea Samarra, Miquel Llevat Vallespinosa and Jorge Miarnau Montserrat - members of the Supervisory Board of the Company, regarding pledges on	28/2021
26.07.2021 Management Board of Trakcja S.A. announces that on 26 July 2021, the Company received a statement from a stockholder, COMSA S.A.U., with its registered seat in Barcelona, submitted under Article 13.4 of the Company’s Articles of Association, to the effect that as of 27 July 2021: - The Stockholder dismissed Mr Fernando Perea Samarra from the Supervisory Board of the Company; and	29/2021
10.08.2021 The Management Board of the Trakcja S.A. company informs that today the Company has received from a Member of the Management Board Mr. Robert Sobków a statement on the termination of the Management Contract concluded with the Company, with a 3-month notice period.	30/2021
16.08.2021 The Management Board of Trakcja S.A. informs that it has received a motion for the placement of certain items in the agenda of the Company’s Extraordinary General Meeting convened for 10 September 2021 from the following shareholder: Otwarty Fundusz Emerytalny PZU “Złota Jesień” (which is a shareholder holding alone at least one twentieth	32/2021
19.08.2021 The Management Board of Trakcja S.A. informs that it has received a statement today from Mr. Robert Sobków concerning his resignation from the post of Member of the Company’s Management Board, effective as of 19 August 2021.	34/2021

Other	CR
20.08.2021 The Management Board of Trakcja S.A. informs that it has received a motion for the placement of certain items in the agenda of the Company's Extraordinary General Meeting convened for 10 September 2021 from the following shareholder: Agencji Rozwoju Przemysłu S.A. (which is a shareholder holding alone at least one twentieth of the Company's share capital).	35/2021
08.09.2021 The Management Board of Trakcja S.A. informs that its shareholder, Otwarty Fundusz Emerytalny PZU „Złota Jesień” has nominated Ms. Magdalena Komaracka as a candidate in the election of a member of the Supervisory Board at the Company's Extraordinary Meeting.	36/2021
10.09.2021 The Management Board of Trakcja S.A. makes public the content of the resolutions adopted by the Extraordinary General Meeting of the Company ("EGM") held on September 10, 2021, together with the results of voting.	37/2021
10.09.2021 The Management Board of Trakcja S.A. informs that on September 10, 2021 the Extraordinary General Meeting of the Company adopted resolutions by means of which it: (i) dismissed Mr Michał Hulbój from the Company's Supervisory Board, (ii) appointed Ms Magdalena Komaracka as a member of the Supervisory Board of the Company.	38/2021
10.09.2021 The Management Board of Trakcja S.A. in Warsaw provides the list of shareholders holding at least 5% of the total number of votes at the Extraordinary General Meeting of the Company held in Warsaw on 10 September 2021.	39/2021
10.09.2021 The Management Board convenes the Extraordinary General Meeting of Trakcja S.A. on 29 November 2021 at 10:00 a.m. in Warsaw, in Room Sonata of the Mercure Hotel.	40/2021
27.09.2021 Management Board of Trakcja S.A. ("Company") hereby submits the notification from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of the shareholder - Otwarty Fundusz Emerytalny PZU "Złota Jesień" ("OFE PZU"), about the reduction by OFE PZU of its share below 5% in the total number of votes in the Company.	41/2021

Please find below a summary of significant events that took place after the balance sheet date:

Other	CR
12.10.2021 The Management Board of Trakcja S.A. informs that on October 12, 2021, the Company signed a sale agreement pursuant to which the Company sold to Dantex spółka z ograniczoną odpowiedzialnością sp. k. the right of perpetual usufruct of real estate located in Warsaw, Targówek district at ul. Oliwska 11 in Warsaw, with an area of 2.0655 ha for the price of PLN 25,000,000.00 net, which, according to the concluded sale agreement, the Company shall receive on the day of signing the said agreement.	43/2021
22.10.2021 The Management Board of Trakcja S.A. informs that on October 22, 2021 marks the completion of the cyclical review process of long-term contracts and collection of financial data for the purposes of preparing the Company's unit financial statements, and consolidated financial statements of the Group for the third quarter of 2021, that is, from 1.07-30.09.2021 and for the 9-month period ending on September 30, 2021	44/2021
27.10.2021 The Management Board of the company Trakcja S.A. hereby informs that today the Management Board of the Company passed a resolution on converting some of the C series registered shares of the Company held by the Applicants into bearer shares in the total number of 12,335,891, comprising 92,939 C series registered shares held by Agencja Rozwoju Przemysłu S.A. and 12,242,952 C series registered shares held by COMSA S.A.U. Due to the aforementioned conversion of C series registered shares into bearer shares, rights attached to these shares have not changed and these shares are not preferred. The nominal value of each share amounts to PLN 0.80, each share is entitled to one vote.	45/2021
19.11.2021 ARP undertook to purchase all, held by COMSA at a given moment, shares in the share capital of the Company and bonds issued by the Company, and COMSA undertook to sell them under the terms specified in the Agreement, at the same time making the carrying out of the Transaction dependent on the fulfilment of a number of conditions precedent specified in the Agreement. The Agreement was concluded assuming that shareholders of the Company would adopt a resolution on increase of the share capital of the Company from the amount of PLN 69,160,780.80 to the amount of PLN 269,160,780.80 through the issue of 250.000.000 new E series ordinary shares with a value of PLN 0.80 each.	46/2021

30. Opinion of the Management Board on the published forecast

Both Group and Company did not publish any financial forecast for 2021.

On October 22, 2021, the Company published (current report No. 44/2021) preliminary estimates of financial results for the 9-month period ended September 30, 2021 and for the third quarter of 2021, i.e. from July 1, 2021 to September 30, 2021 of the Company and the Group.

Please find below the preliminary estimates published on October 22, 2021 (current report No. 44/2021) to the data approved in this report:

Trakcja S.A.	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021
	Data published hereof		Preliminary estimates published in current report No. 44/2021	
Sales revenue	543 037	225 686	543 037	225 686
Gross profit on sales	7 351	17 923	7 351	17 923
EBITDA	(350)	13 231	(350)	13 231
Net profit for the period	(27 789)	(1 381)	(27 789)	(1 381)
Grupa Trakcja	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021
	Data published hereof		Preliminary estimates published in current report No. 44/2021	
Sales revenue	968 474	434 501	970 438	436 465
Gross profit on sales	28 577	37 247	28 387	37 057
EBITDA	13 386	28 990	13 383	28 987
Net profit for the period	(30 367)	7 296	(30 367)	7 296

The data published hereof do not differ significantly compared to the amount of preliminary estimates published in the current report No. 44/2021.

31. Information on sureties for loans or borrowings and on guarantees granted by the Parent Company or its subsidiary

In the third quarter of 2021, neither the Parent Company nor its subsidiaries did grant any sureties for credits or loans or any guarantees to any entity or its subsidiary, whose total value of existing sureties and guarantees is significant.

The table below presents a list of guarantees granted by the Parent Company:

Beneficiary	Value of guarantee in thousand PLN
PKP PLK S.A.	558 389
GDDKiA	105 295
WZDW Poznań	10 811
Gmina Wrocław	4 876
ZDMiKP Bydgoszcz	4 720
Other	30 679
Total	714 770

The table below presents a list of guarantees received by the Parent Company:

Subcontractor	Value of guarantee in thousand PLN
Krakowskie Zakłady Automatyki S.A.	24 066
Sprint S.A.	6 335
Kolejowe Zakłady Automatyki S.A.	5 158
Keller Polska Sp. z o.o.	3 605
Menard Polska Sp. z o.o.	3 466
Other	29 020
Total	71 650

In conjunction with the signing of the financing agreement on June 17, 2021, the Parent Company increased collateral to its subsidiaries (except for the AB Kauno Tiltai Group) in the form of a guarantee for repayment of loans and advances to the total amount of PLN 950,892 thousand, and thus the Parent Company received from subsidiaries covered by the agreement (except for the AB Kauno Tiltai Group) collateral in the form of guarantee in the total amount of PLN 950,892 thousand.

32. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	30.09.2021 <i>Unaudited</i>	31.12.2020 <i>Audited</i>
Contingent receivables		
From related entities due to:	75 078	78 648
Received guarantees and sureties	73 202	77 965
Bills of exchange received as collateral	1 876	683
Total contingent receivables	75 078	78 648
From related entities due to:		
From other entities due to:	11 248 103	11 050 816
Provided guarantees and sureties	927 684	873 150
Promissory notes	716 555	571 456
Mortgages	5 612 832	5 717 542
Assignment of receivables	1 076 477	1 053 263
Assignment of rights under insurance policy	165 998	227 438
Security deposits	16 751	34 754
Other liabilities	2 731 806	2 573 213
Total contingent liabilities	11 248 103	11 050 816

Contingent liabilities due to guarantees and sureties granted for the benefit of other entities are mainly guarantees issued by banks for the benefit of business partners of the Group members as collateral for their claims against the Group arising out of the construction contracts performed (performance bonds, retention bonds and advance payment guarantees). Banks have a right of recourse against the Group. Promissory notes are a different form of collateral for the aforementioned bank guarantees. As at September 30, 2021 and December 31, 2020, other contingent liabilities relate to registered pledges.

As at September 30, 2021, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 631 thousand (December 31, 2020: PLN 706 thousand) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1, he or she will pay, immediately and without a termination notice or any demand issued by the Group, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN

equivalent of EUR 1,000 for each day in which such a failure occurs or continues. Contingent liabilities arising from the employment contracts signed with employees. As at September 30, 2021 - amounted to PLN 7 324 thousand (as compared to PLN 7 486 thousand as at December 31, 2020).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland and Lithuania results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Group may be increased by additional tax liabilities. In the Group's opinion, the provisions recognised as at September 30, 2021 are sufficient to mitigate the recognised and measurable tax risk.

33. Significant court cases and disputes

The Parent Company below indicates significant proceedings pending before a court or other body regarding its liabilities and receivables 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 November 20, 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 October 31, 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 Parent Company expects that an enforceable solution may be issued in the second half of 2019 or in the first half of 2020.

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 November 17, 2017 to the payment date,
- 2) on PLN 12,756,000.00 from December 8, 2017 to the payment date,
- 3) on PLN 295,495.00 from December 8, 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.

A final judgement was delivered in the matter, which awarded the amount of PLN 2,768,003.20, including interest, in favour of Trakcja, as per the head of claim. Trakcja received an enforcement instrument; however, as Eltrans remains in a state of bankruptcy as at the date of publishing this report, enforcement is not possible at the moment.

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

On May 22, 2019 the Company filed a lawsuit against ALSTAL Grupa Budowlana sp. z o.o. based in Jacewo for the payment of PLN 556,683.00 plus interest as the payment of remuneration for construction works performed as a contractor within the scope of the project ordered by Tauron Dystrybucja S.A. entitled "Network Management Development in Wrocław". On November 17, 2020, the trial will take place before the District Court in Bydgoszcz. The case is at the early stage of proceedings and its resolution date is difficult to predict.

Proceedings against the State Treasury – GDDKiA

On December 23, 2020, the Parent 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 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 Parent Company and Przedsiębiorstwo Usług Technicznych Interkor 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 of October 12, 2015 for the design and construction of the project referred to as "Design and construction of the S-5 expressway on the Nowe Marzy - Bydgoszcz section – border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeships, split into 4 parts. Part 4 – Design and construction of the S-5 expressway at the section from Szubin junction (together with junction) to Jaroszewo junction (together with junction), with a length of approx. 19.3 km", on account of a lump-sum payment for extending the time necessary to implement the investment, reimbursement of costs for performing additional land improvements and capitalized interest. The case is at an early stage of proceedings and it is difficult to predict when it will conclude.

On December 31, 2020, the Company and Przedsiębiorstwo Usług Technicznych Intercor sp. z o.o. lodged a claim against the State Treasury – the General Director of National Roads and Motorways, pursuing increased remuneration for the performance of the Agreement 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 the Wielkopolskie Voivodship - Wielkopolski Zarząd Dróg Wojewódzkich (Management for Provincial Roads) in Poznań

On July 15, 2021, the Company filed a lawsuit against the Wielkopolskie Voivodship - Wielkopolski Zarząd Dróg Wojewódzkich in Poznań for payment of PLN 9,972,986.23 as compensation for the loss incurred in connection with the actions of the Wielkopolski Zarząd Dróg Wojewódzkich in Poznań. The dispute relates to the contract dated October 17, 2018 for the task entitled “Extension of provincial road No. 263 on the section from the intersection with DP 3403P in the town of Drzewce to the intersection with DW473 in the design and build system.” The case is at an early stage of proceedings and its completion date is difficult to predict.

On July 15, 2021, the Company and its subsidiary Akcine Bendrove Kauno Tiltai filed a lawsuit against the Wielkopolskie Voivodship - Wielkopolski Zarząd Dróg Wojewódzkich in Poznań for payment of PLN 11,701,824.58 as compensation for the loss incurred in connection with the actions of the Wielkopolski Zarząd Dróg Wojewódzkich in Poznań. The dispute relates to the contract dated August 24, 2018 for the task entitled “Extension of provincial road No. 190 on the section from the intersection with provincial road No. 188 in Krajenka to the intersection with national road No. 10 - stage I in the design and build system”. The case is at an early stage of proceedings and its completion date is difficult to predict.

Proceedings against PKP PLK

On October 31, 2017, the Parent Company filed a case against PKP PLK 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 due to the submission of an unjustified statement on the withdrawal from the Agreement in part. On December 12, 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 in relation to the groundless enforcement of the contractual penalties accrued and the part of remuneration for the performance of the contract and agreements for additional works, which PKP PLK unreasonably refuses to pay. On October 18, 2018, the 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 concerning the earlier – than it resulted from the Work Schedule – launching of track 1 on the Bochnia route - Brzesko Okocim. On May 6, 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, including tort claims of its subcontractors: Arcadis sp. z o.o., Torpol S.A. and PUT Intercor sp. z o.o. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On October 31, 2017, the Company along with Przedsiębiorstwo Budowlane “FILAR” Spółka z ograniczoną odpowiedzialnością 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 for basic linear construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of the Dolnośląskie Province within the scope of the project entitled “Modernisation of railway line E 59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of the Dolnośląskie Province”. On March 29, 2018, the action in the course of the case was extended with the 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). On 21 October 2021 the Court issued a judgement dismissing in full the claims of the subcontractor INFRAKOL sp. z o.o. sp. k. In the remaining scope, the case is pending and currently, it is difficult to foresee its termination date.

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

- a) additional works in connection with contract dated December 16, 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 dated November 29, 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 August 27, 2018, the Parent Company filed a lawsuit for payment against PKP PLK seeking the amount of 6,675,193.36 PLN 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 of December 16, 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 October 6, 2017 to August 27, 2018. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On October 22, 2018, the Company filed a lawsuit for payment against PKP PLK , 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 of March 14, 2017 for the preparation of design documentation and performance of construction works on the Poznań Wschód - Mogilno section from km 0.265 to km 73.000, as a part of the project: “Works on the railway line No 353 Poznań Wschód-Dziarnowo”, i.e. works on the construction of additional access ways to platforms at the Wydartowo station, additional suspension of the overhead contact line on the Wydartowo – Trzemeszno route and preparation of maps for design purposes, as well as incurring additional costs related to the unpredictable increase in prices of services provided by PKP Energetyka on the overhead contact line. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On November 29, 2018, the Parent Company filed a lawsuit for payment against PKP PLK seeking the amount of 20,934,758.14 PLN along with statutory interest for delay, as reimbursement for the costs of extension of the implementation of Agreement of November 29, 2010 for “Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica – Sędziszów Małopolski section in km 133.600 - 154.900 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III”

Tender 2.2", due to circumstances within the scope of responsibility of PKP PLK, 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 January 17, 2019, the Parent Company filed a lawsuit for payment against PKP PLK seeking the amount of 12,296,388.86 PLN along with statutory interest for delay, as reimbursement for additional costs resulting from the extension of the implementation of Agreement for "Continuation of upgrade work on Railway Line E59 (track and subgrade work and track infrastructure work) as part of the POIŚ 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. The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

- a) reimbursement for additional costs resulting from the extension of the implementation of Agreement 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 POIŚ 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;
- 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 April 2, 2019, the Parent Company filed a lawsuit for payment against PKP PLK 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 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 POIŚ 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 Mosina, due to circumstances within the scope of responsibility of PKP PLK. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On June 13, 2019, the Parent Company filed a suit against PKP PLK 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 of:

1. December 16, 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
2. November 29, 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. On 10 September 2021 the Court issued a judgment dismissing the action in full. The Parent Company appealed the judgment in the part referring to the correctness of performance of noise barriers.

On September 14, 2021, the Parent Company instituted proceedings against PKP PLK concerning:

- a) the annulment of pt. 8.7 a) of the Special Terms of the Contract concerning the agreement of 24 July 2018 for the development and completion of works under the Szczecin Metropolitan Railway Construction Project (including the existing sections of railway line no. 406, 273 and 351) – Project A “Modernisation of Railway Line No. 406 in the Szczecin Główny-Police section” and the agreement of 24 July 2018 for the development and completion of Works under the Szczecin Metropolitan Railway Construction Project (including the existing sections of railway line no. 406, 273 and 351) – Project B “Modernisation of the Selected Passenger Infrastructure of Railway Line No. 273, 351 and 401”;
- b) the confirmation that the Parent Company as the contractor is not obliged to complete certain works and developments under the aforementioned agreements.

The value of dispute calculated for the purposes of the court proceedings is PLN 229,794,615.00. The case is at the early stage of proceedings and its resolution date is difficult to predict.

As at the publication hereof, considering, in particular, the fact that the proceedings concern the terms of the agreements specified in pt. a) and b) above (and not the payment thereunder), the Parent Company is not able to estimate the aforementioned event’s impact on the financial performance of the Parent Company and the Group.

Continued negotiations on claims

In the period of 2021, the Management Board of the Parent 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 approx. PLN 120.3 million.

The Parent 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 Parent Company is unable to determine when the mediation will conclude and its impact on the financial result.

During the third quarter of 2021 and after the balance sheet date, mediation meetings were held, during the course of which the parties presented their settlement proposals as regards court litigation and foundation piles. During the course of mediation, PKP PLK proposed the signing of a preliminary understanding, which would provide for the preliminary arrangements as regards further proceedings with regard to the foundation piles. The parties are presently involved in the drafting of the contents of a preliminary understanding and are simultaneously negotiating the final value of the mediation settlement as regards pending court cases under actions brought forth by Trakcja against PKP PLK.

As of September 30, 2021, the value of other contractual claims which the Parent Company is pursuing, together with consortium partners and subcontractors, on a contractual basis (out of court) is PLN 277.5 million, including the amount due to Trakcja being PLN 239.4 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 (the amounts were counted as at balance sheet date) PLN 69,445,114 (EUR 14,989,556.33). Pursuant to a decision of the court, this amount was reduced to PLN 4,826,917 (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.

34. Seasonality and cyclicity

The sale of the construction and installation, renovation, as well as road and rail services in Poland is of a cyclical nature above all due to the weather conditions. The highest revenues are usually generated in the third and fourth quarters and the lowest in the first quarter.

35. Information on dividends paid and declared

In the third quarter of 2021, Trakcja S.A. did not pay any dividends.

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

36. Factors which in the Group's opinion will affect its performance in the next quarter or in a longer term

The most important factors that have a significant impact on the financial performance of the Group include the following:

- the ability to win new construction contracts, which on account of the profile of the Group's activities is determined by expenditures on the railway and tramway infrastructure in Poland and Lithuania, as well as in new markets;
- efficiency of conducting procedures for granting contracts by the Ordering Parties;
- competition with other entities and increasing pressure on margins;
- lack of market barriers;
- joint and several liability of members of construction consortia and liability for improper performance of construction works by subcontractors;
- level of prices of raw materials and building materials;
- growing bargaining power of subcontractors (impact of the level of prices of services provided by them);
- labour market situation in Poland and Lithuania;
- exchange rates shaping, in particular the euro;
- the impact of the Central Bank's monetary policy on lending rates changes;
- punctuality of settling liabilities by recipients (late repayment of liabilities may lead to a deterioration of the Group's financial liquidity);
- changes in the law defining the scope of the Group's activities, including tax regulations, as well as provisions regarding other public law burdens;
- level of valorisation of construction agreements;
- weather conditions;
- further development of the SARS CoV-2 (COVID-19) pandemic.

Moreover, in the future, the Group's financial performance may be affected by amendments to the legal regulations that designate the scope of the Group's activities, including tax regulations and regulations regarding other encumbrances of a public and legal nature, as well as regulations regarding the following:

- the procedure for awarding public procurements, in particular, an amendment to the Public Procurement Law;

- the public and private partnership;
- the financing of railway infrastructure;
- the environmental protection in the scope of the implementation of individual projects, in particular, the Environmental Protection Law;
- in the scope of real estate development activities of PRK 7 Nieruchomości sp. z o.o.

The most important internal factors having a significant impact on the Group's financial results include:

- the accuracy of the project cost estimates, as it exerts a direct impact on the decisions regarding the participation in tenders, the valuation of contracts for tenders and as a result the margins on the contracts. The accuracy of the contract cost budget estimates, in turn depends on both methodological and external factors such as changes in prices for materials and services rendered by subcontractors;
- number of contracts won under the railway and road infrastructure investment programmes in Poland and Lithuania;
- the ability to acquire highly qualified staff;
- the ability to further diversify the activity;
- the risk associated with obtaining financing for the implementation of construction contracts and contractual guarantees;
- ability to maintain liquidity (described in Note 10 hereof);
- ability to meet the conditions set out in the financing agreements, including maintaining the value of the financial ratios contained in the financing agreements at the indicated level;
- results of court proceedings;
- ability to implement the Group's development strategy and the outcome of the process of reviewing strategic options and actions taken in the future.

37. Risk factors

Factors that may significantly deteriorate the financial condition of the Group include the following:

- risk of growing competition;
- risk of changes in the strategy of the Polish and Lithuanian authorities with regard to the modernisation of infrastructure over the next few years;
- risk of being dependent on key customers;
- risk of a potential loss of subcontractors and a potential rise in prices for services rendered by subcontractors;
- risk of subcontractors' bankruptcy;
- risk associated with the lack of qualified employees;
- risk of loss of managerial and engineering staff;
- currency risk;
- risk associated with the volatility of prices for materials;
- interest rate risk;
- risk associated with the joint and several liability of the construction consortia members and with the liability for subcontractors;

- risk related to potential penalties for failure to complete contracts;
- risk of underestimating the project costs
- risk of rising prices of building materials;
- risk related to the implementation of construction contracts;
- risk related to obtaining new contracts;
- risk related to supply logistics;
- risk related to the conditions and procedures for the settlement of tenders and the implementation of projects;
- the risk related to the increase in the portfolio of overdue receivables;
- risk related to financial contracts, including the risk of exceeding the values of financial ratios specified in the financing agreements;
- liquidity risk (described in the note 10 hereof);
- risk related to the implementation of the strategy;
- risk related to the approach of the financial sector to companies in the construction industry;
- risk related to obtaining financing for the implementation of construction contracts and obtaining contract guarantees;
- risk related to weather conditions;
- the risk related to changes in the law, including tax law;
- Risks described in the note 10 hereof.

Extraordinary threats

An extraordinary threat identified as at the date of the publication of this report is a risk related with the influence of the COVID-19 situation and the related changes in government regulations on the Group's business and financial situation.

Main risks and uncertainties related with the SARS CoV-2 pandemic

The most significant risk related with the current SARS CoV-2 pandemic is its intensification, which would result in an introduction of government restrictions resulting in a lack of possibility to perform contracts, withholding construction works, significant limitations to the work of financial institutions, courts, and key contractors.

The current SARS CoV-2 epidemic, which results, amongst others, in potential restrictions of transport and interruptions in the continuity of supplies of components and raw materials may lead to delays in the the execution by the Company of purchase orders under the contracts, to which the Company is a party as a contractor or subcontractor; in consequence, this may lead to a risk of claims addressed by contracting parties for payment by the Company of contractual penalties due to untimely contract performance.

Although as at the publication date of this report both contractors and financial institutions continue normal business, the further spread of SARS CoV-2 and the change in the mode of work of the Company's contractors, courts and financial institutions may lead to delays in decision-making processes, and may indirectly affect the Company's current business, in particular through:

- hindering access to funds obtained by the Company from the securities market;
- a requirement to amend delivery dates of selected imported materials;
- limiting the availability of foreign workers;
- prolongation of collection procedures due to a part of clients' staff working remotely;
- prolongation of administrative and court procedures;

- limitations to movement and transport;
- remote work and quarantines of some of the workers.

In consequence, these events may cause delays in obtaining funds by the Company, essential to perform its financial liabilities or obtaining new contracts due to a lack of required financial collateral in the form of guarantees or funds for a contractual deposit, as well as non-performance of the Company's contractual obligations. As a consequence of the negative influence of the SARS CoV-2 epidemic on the aforementioned operations, the Company's liquidity and financial situation may be adversely affected. Simultaneously, the potential pandemic-related restrictions or delays of deadlines of investments of contracting authorities may affect the Company's financial perspectives in the next financial periods. According to the Company, the threat of these risks is average and, as at the date of this publications, the Company is not able to estimate the effects of such risks on future financial results or cash flow.

38. Information on related-party transactions

In the third quarter of 2021, the Group companies did not make any significant transactions with their related entities on terms other than at arm's length. Transactions made by the Parent Company and its subsidiaries (related entities) are the arm's length transactions and their nature is a result of the current operations conducted by the Parent Company and its subsidiaries.

Please find below the totals of transactions made with related entities from January 1, 2021 to September 30, 2021:

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Other financial costs (including fees for structuring commission)
Shareholders of parent company:						
COMSA S.A.U.	01.01.2021-30.09.2021	-	-	-	414	14
	01.01.2020-30.09.2020	-	-	-	407	-
ARP S.A.	01.01.2021-30.09.2021	-	-	-	2 242	676
	01.01.2020-30.09.2020	-	-	-	1 338	-
Total	01.01.2021-30.09.2021	-	-	-	2 656	690
	01.01.2020-30.09.2020	-	-	-	1 745	-

Please find below information on any receivables from and liabilities towards related entities as at September 30, 2021:

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities	Bond liabilities	Borrowings received
Shareholders of parent company:					
COMSA S.A.U.	30.09.2021	-	89	8 358	242
	31.12.2020	95	88	7 930	241
ARP S.A.	30.09.2021	-	-	20 135	88 160
	31.12.2020	-	92	20 096	27 651
Total	30.09.2021	-	89	28 493	88 402
	31.12.2020	95	180	28 026	27 892

IV. QUARTERLY FINANCIAL INFORMATION

STANDALONE INCOME STATEMENT

	01.01.2021- 30.09.2021 <i>Unaudited</i>	01.07.2021- 30.09.2021 <i>Unaudited</i>	01.01.2020- 30.09.2020 <i>Modified*</i>	01.07.2020- 30.09.2020 <i>Niebadane</i>
Continued operations				
Sales revenue	543 037	225 686	483 756	167 981
Cost of goods sold	(535 686)	(207 763)	(486 824)	(168 287)
Gross profit (loss) on sales	7 351	17 923	(3 068)	(306)
Cost of sales, marketing and distribution	(1 711)	(683)	(1 664)	(621)
General and administrative costs	(21 866)	(7 807)	(20 841)	(6 525)
Other operating revenues	3 135	355	5 116	1 726
Other operating costs	(2 352)	(1 353)	(2 716)	683
Operating profit (loss)	(15 443)	8 435	(23 173)	(5 043)
Financial revenues	6 593	669	2 648	109
Financial costs	(18 398)	(7 805)	(16 236)	(5 074)
Gross profit (loss)	(27 248)	1 299	(36 761)	(10 008)
Income tax	(541)	(2 680)	4 995	1 259
Net profit (loss) from continued	(27 789)	(1 381)	(31 766)	(8 749)
Net profit for the period	(27 789)	(1 381)	(31 766)	(8 749)
Profit per share attributable to				
- basic	(0,32)	(0,02)	(0,37)	(0,10)
- diluted	(0,26)	(0,01)	(0,33)	(0,08)

*The restatement relates to the reclassification of costs between sales, marketing and distribution costs as well as general management and administrative costs on one hand and the cost of goods sold on the other hand in the period from 1 January, 2020 to 30 June, 2020 (more information in note 13 hereof)

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	01.01.2021- 30.09.2021	01.07.2021- 30.09.2021	01.01.2020- 30.09.2020	01.07.2020- 30.09.2020
	<i>Unaudited</i>		<i>Unaudited</i>	
Net profit for the period	(27 789)	(1 381)	(31 766)	(8 749)
Other comprehensive income:				
Other comprehensive net income that will be reclassified to profit or loss:	-	-	(51)	(10)
Foreign exchange differences on translation of foreign operations	-	-	(51)	(10)
Total other comprehensive income	-	-	(51)	(10)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(27 789)	(1 381)	(31 817)	(8 759)

STANDALONE BALANCE SHEET

	30.09.2020 <i>Unaudited</i>	31.12.2019 <i>Audited</i>
ASSETS		
Aktywa trwałe	615 225	614 028
Tangible non-current assets	161 463	167 605
Intangible assets	51 159	50 510
Investment properties	21 164	19 789
Investments in subsidiaries	311 308	311 308
Other financial assets	8 421	8 340
Deferred tax assets	56 122	51 162
Accruals	5 588	5 314
Current assets	559 910	614 433
Inventory	55 128	64 720
Trade and other receivables	300 239	297 327
Other financial assets	6 538	11 777
Cash and cash equivalents	7 245	47 514
Accruals	9 552	12 813
Contracts with customers assets	176 171	175 245
Assets held for sale	5 037	5 037
TOTAL ASSETS	1 175 135	1 228 461
Equity and liabilities		
Equity	318 286	349 925
Share capital	69 161	69 161
Share premium account	-	340 561
Revaluation reserve	7 082	7 082
Other capital reserves	273 884	182 823
Retained earnings	(31 766)	(249 678)
Foreign exchange differences on translation of foreign	(75)	(24)
Total equity	318 286	349 925
Long-term liabilities	314 968	204 242
Interest-bearing loans and borrowings	286 514	199 909
Bonds	27 681	-
Provisions	219	3 102
Liabilities due to employee benefits	554	1 231
Short-term liabilities	541 881	674 294
Interest-bearing loans and borrowings	86 903	159 479
Bonds	194	-
Trade and other liabilities	294 586	293 598
Provisions	37 067	86 440
Liabilities due to employee benefits	6 871	7 867
Accruals	636	455
Contracts with customers liabilities	115 624	126 455
TOTAL EQUITY AND LIABILITIES	1 175 135	1 228 461

STANDALONE STATEMENT OF CASH FLOWS

	01.01.2021- 30.09.2021 <i>Unaudited</i>	01.01.2020- 30.09.2020 <i>Unaudited</i>
<i>Cash flows from operating activities</i>		
Gross profit from continued operations	(27 248)	(36 761)
Adjustments for:	(53 582)	(33 401)
Depreciation	15 093	14 818
FX differences	69	1 113
Net interest and dividends	7 789	8 944
Profit on investment activities	(1 205)	(2 169)
Change in receivables	(6 315)	(4 452)
Change in inventory	771	9 592
Change in liabilities, excluding loans and borrowings	(34 201)	(909)
Change in prepayments and accruals	(3 659)	3 170
Change in provisions	2 407	(52 255)
Change in settlements from contracts	(34 423)	(11 757)
Other	92	504
Net cash flows from operating activities	(80 830)	(70 162)
<i>Cash flows from investment activities</i>		
Sale (purchase) of intangible assets and tangible non-current assets	52 866	(1 172)
- acquisition	(1 842)	(3 695)
- sale	54 708	2 523
Financial assets	(3 432)	5 260
- granted or acquired	458	5 461
- repaid	(3 890)	(201)
Loans	(700)	(200)
- granted	-	5 000
- repaid	(700)	(5 200)
Dividend received	630	-
Net cash flows from investment activities	49 364	3 888
<i>Cash flows from financial activities</i>		
Net proceeds from issue of shares	-	20 000
Proceeds on account of taken borrowings and loans	129 186	45 710
Repayment of borrowings and loans	(73 140)	(17 870)
Interests and commissions paid	(9 335)	(10 440)
Payment of liabilities under financial lease agreements	(12 553)	(11 395)
Net cash flows from financial activities	34 158	26 005
Total net cash flows	2 692	(40 269)
Cash at start of period	6 693	47 514
Cash at end of period	9 385	7 245
- with limited access	7 500	-

STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Surplus from the sale of shares above their nominal value	Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2021	69 161	-	7 082	269 641	391	3 851	-	(70 481)	279 645
Net profit for the period	-	-	-	-	-	-	-	(27 789)	(27 789)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	69 161	-	7 082	269 641	391	3 851	-	(98 270)	251 856
Distribution of profit	-	-	-	(70 481)	-	-	-	70 481	-
As at 30.09.2021 Unaudited	69 161	-	7 082	199 160	391	3 851	-	(27 789)	251 856

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Surplus from the sale of shares above their nominal value	Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2020 Audited	69 161	340 561	7 082	-	391	182 433	(24)	(249 679)	349 925
Net profit for the period	-	-	-	-	-	-	-	(31 766)	(31 766)
Other comprehensive income	-	-	-	-	-	-	(51)	-	(51)
Total comprehensive income	69 161	340 561	7 082	-	391	182 433	(75)	(281 445)	318 108
Reclassification in accordance with the resolution of the General Meeting	-	(340 561)	-	340 561	-	-	-	-	-
Distribution of profit	-	-	-	(70 920)	-	(178 759)	-	249 679	-
Issuance of bonds convertible into shares	-	-	-	-	-	178	-	-	178
As at 30.09.2020 Unaudited	69 161	-	7 082	269 641	391	3 852	(75)	(31 766)	318 286

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Surplus from the sale of shares above their nominal value	Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2020 Audited	69 161	340 561	7 082	-	391	182 432	(24)	(249 679)	349 925
Net profit for the period	-	-	-	-	-	-	-	(70 481)	(70 481)
Other comprehensive income	-	-	-	-	-	-	24	-	24
Total comprehensive income	-	-	-	-	-	-	24	(70 481)	(70 457)
Reclassification in accordance with the resolution of the General Meeting	-	(340 561)	-	340 561	-	-	-	-	-
Distribution of profit	-	-	-	(70 920)	-	(178 759)	-	249 679	-
Issue of shares	-	-	-	-	-	178	-	-	178
As at 31.12.2020 Audited	69 161	-	7 082	269 641	391	3 851	-	(70 481)	279 645

V. NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS

1. Analysis of the financial performance of Trakcja S.A. for the third quarter of 2021

The sales revenues of Trakcja S.A. for the third quarter of 2021 were PLN 225,686 thousand, i.e. they decreased by PLN 57,705 thousand, i.e. by 34.4% as compared to the comparable period of 2020. The cost of goods sold for the third quarter of 2021 increased by PLN 39,476 thousand, i.e. by 23.5%, and was PLN 207,763 thousand. In the third quarter of 2021, the Company recorded a gross profit on sales of PLN 17,923 thousand, which improved the result by PLN 18,229 thousand. The gross profit margin on sales in the third quarter of 2021 was 7.9% and increased by 8.1 pp. in comparison with its level at the end of the third quarter of 2020, when it was (-0.2)%.

Factors that had the most significant impact on the level of gross profit margin on sales in the third quarter of 2021 were the increase in the scope of works on selected contracts, which had a positive impact on the improvement of the margin due to the additional revenues in the budgets of these contracts, as well as the additional revenues found in the budgets of selected contracts, which were a result of valorization of contracts, due to the increase in price indices. In addition, the level of gross margin was influenced by the technical optimization on selected contracts, resulting in a reduced budgeted costs, as well as organizational optimization resulting in an increased efficiency on selected contracts. In the third quarter of 2021, the impact of updating the budgets of the Parent Company's contracts on the consolidated gross result was positive and amounted to PLN 12,726 thousand.

The general and administrative costs for the third quarter of 2021 were PLN 7,807 thousand and increased by 19.6%, i.e. by PLN 1,282 thousand, in comparison with the comparable period of 2020. The increase of general and administrative costs was primarily caused by the creation of a provision for annual leave in the amount of PLN 833 thousand. In the analysed period, the costs of sales, marketing and distribution were PLN 683 thousand and increased by PLN 62 thousand in relation to those for the third quarter of 2020.

The balance of other operating activity was negative and amounted to PLN -998 thousand. It was lower by PLN 3,407 thousand than its amount for the corresponding period of the comparable year. The increase was caused by the recognition of revenues from the revaluation of the investment properties in the amount of PLN 1,416 thousand and by the allocation of the non-collectable receivables in the amount of PLN 1,592 thousand to the cost of goods sold. The Company's profit on operating activity for the period from 1 July 2021 to 30 September 2021 was PLN 8,435 thousand. The operating profit increased by PLN 13,478 thousand in comparison with its amount for the third quarter of 2020, when it was PLN -5,043 thousand.

The Company's financial revenues were PLN 669 thousand and increased by PLN 560 thousand, in comparison with the financial revenues for the third quarter of 2020. The financial expenses increased by PLN 2,731 thousand and were PLN 7,805 thousand. This increase was caused by a increase by PLN 1,262 thousand in the costs of fees and commissions and by an increase in costs of interest in liabilities by PLN 945 thousand, as well as an increase in the interest on loans by PLN 722 thousand.

The Company's gross profit for the period from 1 July 2021 to 30 September 2021 was PLN 1,299 thousand. The gross profit was higher by PLN 56,224 thousand as compared to the corresponding period of the previous year, when the Company generated the gross loss in the amount of PLN 10,008 thousand.

The income tax in the third quarter 2021 had a negative effect on the net profit in the amount of PLN 1,299 thousand. The Company's net loss for the period from 1 July 2021 to 30 September 2021 was PLN 1,381 thousand and was higher by PLN 7,368 thousand than the net loss for the corresponding period of the preceding year, in which it amounted to PLN 8,749 thousand.

At the end of the third quarter of 2021, the Company's balance sheet total was PLN 1,130,173 thousand and was lower by PLN 4,414 thousand than the balance sheet total at the end of 2020.

As at 30 September 2021 the non-current assets were PLN 609,690 thousand and decreased by PLN 4,374 thousand, i.e. by 0.7%, as compared to the balance thereof as at 31 December 2020.

The current assets decreased by 0.01% as compared to their balance as at 31 December 2020 and amounted to PLN 520,483 thousand. The trade and other receivables decreased by PLN 48,073 thousand and the cash and cash equivalents increased by PLN 2,692 thousand. The assets on contracts with customers were PLN 183,411 thousand and increased by PLN 46,310 thousand as compared to their balance at the end of the preceding year.

As at 30 September 2021 the Company's equity was PLN 251,856 thousand and decreased by PLN 27,789 thousand, i.e. by 9.9%, as compared to its balance as at 31 December 2020.

As at 30 September 2021 the long-term liabilities were PLN 363,805 thousand and increased by PLN 69,323 thousand, i.e. by 23.5%, as compared to their balance as at 31 December 2020. The key factors responsible for the increase were an increase in loans by PLN 68,504 thousand.

The short-term liabilities were PLN 541,512 thousand and decreased by PLN 45,948 thousand, i.e. by 8.2% in comparison with their balance as at the end of the preceding year. The decrease was caused by a decrease in interest-bearing bank and borrowings by PLN 24,868 thousand and a decrease in trade and other liabilities by PLN 33,673 thousand.

At the beginning of 2021, the Company's cash and cash equivalents, as disclosed in the statement of cash flows, were PLN 6,693 thousand and at the end of the 9-month period of 2021 their balance was PLN 9,385 thousand. The net cash flows for the first 9 months of 2021 were positive and amounted to PLN 2,692 thousand, i.e. they increased by PLN 42,961 thousand in comparison with the corresponding period of 2020.

2. Seasonality and cyclicity

The sale of the construction and installation, renovation, as well as road and rail services in Poland is of a cyclical nature above all due to the weather conditions. The highest revenues are usually generated in the third and fourth quarters and the lowest in the first quarter.

3. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	30.09.2021 <i>Unaudited</i>	31.12.2020 <i>Audited</i>
Contingent receivables		
From related entities due to:	950 892	702 400
Received guarantees and sureties	950 892	702 400
From other entities due to:	73 526	59 601
Received guarantees and sureties	71 650	58 918
Bills of exchange received as collateral	1 876	683
Total contingent receivables	1 024 418	762 001
Contingent liabilities		
Toward related entities due to:	972 842	726 031
Provided guarantees and sureties	950 892	702 400
Bills of exchange received as collateral	21 950	23 631
Toward other entities due to:	10 953 992	10 764 809
Provided guarantees and sureties	714 770	668 050
Promissory notes	695 022	549 923
Mortgages	5 553 168	5 658 168
Assignment of receivables	1 076 477	1 053 263
Assignment of rights under insurance policy	165 998	227 438
Security deposits	16 751	34 754
Other liabilities	2 731 806	2 573 213
Total contingent liabilities	11 926 834	11 490 840

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

As at September 30, 2021, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 631 thousand (as compared to PLN 706 thousand as at December 31, 2019) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Company, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues. The contingent liabilities arising from employment contracts with employees were at PLN 2,641 thousand as at September 30, 2021 (PLN 2,378 thousand as at December 31, 2020).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Company may be increased by additional tax liabilities. In the Company's opinion, the provisions recognised as at September 30, 2021 are sufficient to mitigate the recognised and measurable tax risk.

Warsaw, November 24, 2021

Management Board:

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

Adam Stolarz

Member of the Management Board

Person responsible for preparing the report:

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