TRAKCJA
CAPITAL GROUP

CONSOLIDATED HALF-YEARLY REPORT

FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2020

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

CONTENTS OF THE CONSOLIDATED HALF-YEARLY REPORT

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
30.06.2020	4,4413	4,2279	4,6044	4,4660
31.12.2019	4,3018	4,2406	4,3891	4,2585
30.06.2019	4,2880	4,2520	4,3402	4,2520

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

Key items of the consolidated balance sheet translated into the euro:

	30.06.2020		31.12.2019	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	612 222	137 085	596 366	140 042
Current assets	887 838	198 799	887 954	208 513
TOTAL ASSETS	**1 500 060**	**335 884**	**1 484 320**	**348 555**
Equity	397 025	88 899	425 484	99 914
Long-term liabilities	381 652	85 457	232 816	54 671
Short-term liabilities	721 383	161 528	826 020	193 970
TOTAL EQUITY AND LIABILITIES	**1 500 060**	**335 884**	**1 484 320**	**348 555**

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

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

	For the period 6 months 30.06.2020		For the period 6 months 30.06.2019	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	558 417	125 733	655 422	152 850
Cost of goods sold	(553 546)	(124 636)	(655 876)	(152 956)
Gross profit (loss) on sales	**4 871**	**1 097**	**(454)**	**(106)**
Operating profit (loss)	(29 969)	(6 748)	(38 268)	(8 924)
Gross profit (loss)	**(44 036)**	**(9 915)**	**(45 003)**	**(10 495)**
Net profit (loss) from continued operations	(38 246)	(8 611)	(35 821)	(8 354)
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	**(38 246)**	**(8 611)**	**(35 821)**	**(8 354)**

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

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

	For the period 6 months 30.06.2020		For the period 6 months 30.06.2019	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(115 664)	(26 043)	(150 574)	(35 115)
Cash flows from investment activities	(2 264)	(510)	(1 850)	(431)
Cash flows from financial activities	52 065	11 723	72 572	16 924
Total net cash flows	**(65 863)**	**(14 830)**	**(79 852)**	**(18 622)**

The above data of the consolidated statement of cash flows is 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 the reporting period concerned, established by the National Bank of Poland for that day.

	30.06.2020		30.06.2019	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	107 461	25 234	116 675	27 134
Cash at end of period	**41 598**	**9 314**	**36 663**	**8 623**

The exchange rates adopted for the purpose of calculating the above data of the consolidated statement of cash flows are 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, 2018 was PLN 4.3000.

TRAKCJA
CAPITAL GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2020

PREPARED IN ACCORDANCE WITH

THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 (Journal of Laws of 2018, item 757).

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The Polish original should be referred to in matters of interpretation

APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja S.A. has approved the condensed consolidated financial statements of Trakcja Capital Group for the period from January 1, 2020 to June 30, 2020.

The condensed consolidated financial statements for the period from January 1, 2020 to June 30, 2020 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union.

Information included herein is presented in the following sequence:

1. Consolidated income statement for the period from January 1, 2020 to June 30, 2020, which shows a net loss of PLN **38,246** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2020 to June 30, 2020, which shows the negative total comprehensive income of PLN **27,801** thousand.
3. Consolidated balance sheet as at June 30, 2020, which shows the total assets and total equity and liabilities of PLN **1,500,060** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2020 to June 30, 2020, which shows a decrease in the total net cash flows by PLN **65,863** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2020 to June 30, 2020, which shows a decrease in the total equity by PLN **28,459** thousand.
6. Selected explanatory notes.

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

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

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

Warsaw, September 16, 2020

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CONSOLIDATED INCOME STATEMENT

	Note	1.01.2020 - 30.06.2020 *Unaudited*	1.01.2019 - 30.06.2019 *Unaudited*
Continued operations			
Sales revenue	13	558 417	655 422
Cost of goods sold	14	(553 546)	(655 876)
Gross profit (loss) on sales		**4 871**	**(454)**
Cost of sales, marketing and distribution	14	(2 674)	(3 087)
General and administrative costs	14	(32 879)	(32 804)
Other operating revenues	15	4 286	2 008
Other operating costs	16	(3 573)	(3 931)
Operating profit (loss)		**(29 969)**	**(38 268)**
Financial revenues	17	564	2 491
Financial costs	18	(14 631)	(9 226)
Gross profit (loss)		**(44 036)**	**(45 003)**
Income tax	19	5 790	9 182
Net profit from continued operation		**(38 246)**	**(35 821)**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit for the period		**(38 246)**	**(35 821)**
Attributable to:			
Shareholders of Parent entity		(37 994)	(35 747)
Non-controlling interest		(252)	(74)
Profit per share attributable to shareholders in the period (PLN per share)			
Basic	20	(0,44)	(0,70)
Diluted	20	(0,44)	(0,70)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1.01.2020 - 30.06.2020 *Unaudited*	1.01.2019 - 30.06.2019 *Unaudited*
Net profit for the period		**(38 246)**	**(35 821)**
Other comprehensive income:			
Other net comprehensive income that will not be reclassified into profit or loss under certain conditions:		**6**	**(13)**
Actuarial gains/(losses)		6	(13)
Other net comprehensive income that will be reclassified to profit or loss:		**10 439**	**(4 529)**
Foreign exchange differences on translation of foreign operations		10 439	(3 952)
Cash flow hedging instruments	34	-	(577)
Total other comprehensive income		**10 445**	**(4 542)**
Total comprehensive income for the period		**(27 801)**	**(40 363)**
Attributable to:			
Shareholders of Parent entity		(27 872)	(40 488)
Non-controlling interest		71	125

CONSOLIDATED BALANCE SHEET

	Note	30.06.2020 *Unaudited*	31.12.2019 *Audited*
ASSETS			
Non-current assets		**612 222**	**596 366**
Tangible non-current assets	21	291 645	286 228
Intangible assets	23	51 733	51 389
Goodwill from consolidation	23	172 856	168 983
Investment properties	24	22 434	22 447
Investments in other units		26	25
Other financial assets	25	6 419	6 202
Deferred tax assets	19	59 262	54 755
Long-term receivables		134	158
Prepayments		7 713	6 179
Current assets		**887 838**	**887 954**
Inventory	26	151 114	135 390
Trade and other receivables	27	432 341	399 749
Income tax receivables		3	-
Other financial assets	25	11 637	12 699
Cash and cash equivalents	28	41 610	107 473
Prepayments		15 155	16 574
Contracts with customers assets	29	230 941	211 032
Assets held for sale		5 037	5 037
TOTAL ASSETS		**1 500 060**	**1 484 320**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of Parent entity		**391 717**	**420 243**
Share capital	30	69 161	69 161
Share premium		-	340 561
Revaluation reserve		7 082	7 082
Other capital reserves		330 671	276 188
Retained earnings		(37 994)	(285 430)
Foreign exchange differences on translation of foreign operations		22 797	12 681
Non-controlling interest		**5 308**	**5 241**
Total equity		**397 025**	**425 484**
Long-term liabilities		**381 652**	**232 816**
Interest-bearing loans and borrowings	31	327 873	207 857
Bonds	32	27 538	-
Provisions	35	17 019	14 093
Liabilities due to employee benefits		4 457	4 094
Provision for deferred tax	19	4 727	6 727
Derivative financial instruments	34	8	8
Other financial liabilities		30	37
Short-term liabilities		**721 383**	**826 020**
Interest-bearing loans and borrowings	31	84 878	153 790
Bonds	32	84	-
Trade and other liabilities	36	396 775	408 766
Provisions	35	67 387	94 773
Liabilities due to employee benefits		17 082	13 574
Income tax liabilities		-	238
Other financial liabilities		124	123
Accruals		5 541	506
Contracts with customers liabilities	29	149 512	154 250
Total equity and liabilities		**1 500 060**	**1 484 320**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Period ended 30.06.2020 *Unaudited*	Period ended 30.06.2019 *Unaudited*
Cash flows from operating activities			
Gross profit from continued operations		**(44 036)**	**(45 003)**
Adjustments for:		**(71 628)**	**(105 571)**
Depreciation		18 821	18 672
FX differences		1 790	(208)
Net interest and dividends		8 475	5 205
Profit on investment activities		(572)	(1 856)
Change in receivables		(27 469)	(94 091)
Change in inventory		(13 009)	(42 084)
Change in liabilities, excluding loans and borrowings		(17 670)	80 176
Change in prepayments and accruals		5 070	6 248
Change in provisions		(24 898)	(11 044)
Change in settlements from contracts		(24 089)	(68 324)
Change in financial derivatives		-	1 265
Income tax paid		(953)	(769)
Other		993	(766)
Foreign exchange differences on translation of foreign operations		1 883	2 005
Net cash flows from operating activities		**(115 664)**	**(150 574)**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(1 912)	(5 268)
- acquisition		(4 894)	(6 341)
- sale		2 982	1 073
Financial assets		(727)	3 268
- sold or repaid		-	7 972
- granted or acquired		(727)	(4 704)
Interest received		375	150
Net cash flows from investment activities		**(2 264)**	**(1 850)**
Cash flows from financial activities			
Net proceeds from shares issues		-	726
Net proceeds from bond issues		20 000	-
Proceeds on account of taken borrowings and loans		58 488	92 224
Repayment of borrowings and loans		(8 327)	(4 899)
Interests and commissions paid		(8 484)	(5 667)
Payment of liabilities under financial lease agreements		(9 616)	(9 812)
Other		4	-
Net cash flows from financial activities		**52 065**	**72 572**
Total net cash flows		**(65 863)**	**(79 852)**
Cash at start of period		**107 461**	**116 675**
Assets held for sale - transfer		-	(160)
Cash at end of period	**28**	**41 598**	**36 663**

Cash excluded from the statement of cash flows as at June 30, 2020 comprises cash blocked on the property development project accounts in the amount of PLN 12 thousand.

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 1.01.2020 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	-	-	-	-	-	-	-	(37 994)	(37 994)	(252)	(38 246)
Other comprehensive income	-	-	-	-	6	-	10 116	-	10 122	323	10 445
Total comrehensive income	**-**	**-**	**-**	**-**	**6**	**-**	**10 116**	**(37 994)**	**(27 872)**	**71**	**(27 801)**
Reclassification in accordance with the resolution of the General Meeting	-	(340 561)	-	340 561	-	-	-	-	-	-	-
Distribution of profit	-	-	-	(70 920)	-	(214 510)	-	285 430	-	-	-
Issue of bonds convertible into shares	-	-	-	-	-	178	-	-	178	-	178
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4)	(4)
Other changes	-	-	-	-	-	(832)	-	-	(832)	-	(832)
As at 30.06.2020 Unaudited	**69 161**	**-**	**7 082**	**269 641**	**(1 146)**	**62 176**	**22 797**	**(37 994)**	**391 717**	**5 308**	**397 025**

	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
				Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2019 Audited	**41 120**	**309 984**	**5 768**	**(3 159)**	**(1 244)**	**388 236**	**15 840**	**(111 006)**	**645 539**	**8 841**	**654 380**
Net profit for the period	-	-	-	-	-	-	-	(35 747)	(35 747)	(74)	(35 821)
Other comprehensive income	-	-	-	(566)	(13)	-	(4 162)	-	(4 741)	199	(4 542)
Total other comprehensive	**-**	**-**	**-**	**(566)**	**(13)**	**-**	**(4 162)**	**(35 747)**	**(40 488)**	**125**	**(40 363)**
Distribution of profit	-	-	-	-	-	(111 006)	-	111 006	-	-	-
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(93)	(93)
Other changes	-	-	2	-	-	79	-	-	81	-	81
As at 30.06.2019 Unaudited	**41 120**	**309 984**	**5 770**	**(3 725)**	**(1 257)**	**277 309**	**11 678**	**(35 747)**	**605 132**	**8 873**	**614 005**

	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
				Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2019 Audited	**41 120**	**309 984**	**5 768**	**(3 159)**	**(1 244)**	**388 236**	**15 840**	**(111 006)**	**645 539**	**8 841**	**654 380**
Net profit for the period	-	-	-	-	-	-	-	(285 430)	(285 430)	382	(285 048)
Other comprehensive income	-	-	1 273	(1 476)	92	-	(2 738)	-	(2 849)	869	(1 980)
Total comrehensive income	**-**	**-**	**1 273**	**(1 476)**	**92**	**-**	**(2 738)**	**(285 430)**	**(288 279)**	**1 251**	**(287 028)**
Distribution of profit	-	-	-	-	-	(111 006)	-	111 006	-	-	-
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(93)	(93)
Issue of shares	28 041	30 577	-	-	-	-	-	-	58 618	-	58 618
Acquisition of shares in a subsidiary	-	-	-	-	-	4 634	-	-	4 634	(4 758)	(124)
Deconsolidation of subsidiaries	-	-	-	4 635	-	(4 635)	(421)	-	(421)	-	(421)
Other	-	-	41	-	-	111	-	-	152	-	152
As at 31.12.2019 Audited	**69 161**	**340 561**	**7 082**	**-**	**(1 152)**	**277 340**	**12 681**	**(285 430)**	**420 243**	**5 241**	**425 484**

CONDENSED ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

These condensed consolidated financial statements cover the period of 6 months ended June 30, 2020 and include comparative data for the period of 6 months ended June 30, 2019 and for the period ended December 31, 2019.

Trakcja Capital Group ("Group" or "Trakcja Group") consists of the parent company, namely Trakcja S.A. ("Trakcja", "Parent Company" or "Company"), 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 Inżynieryjnych 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 PRKiI 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 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.

On July 26, 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 PRKiI Spółka Akcyjna" to "Trakcja Spółka Akcyjna".

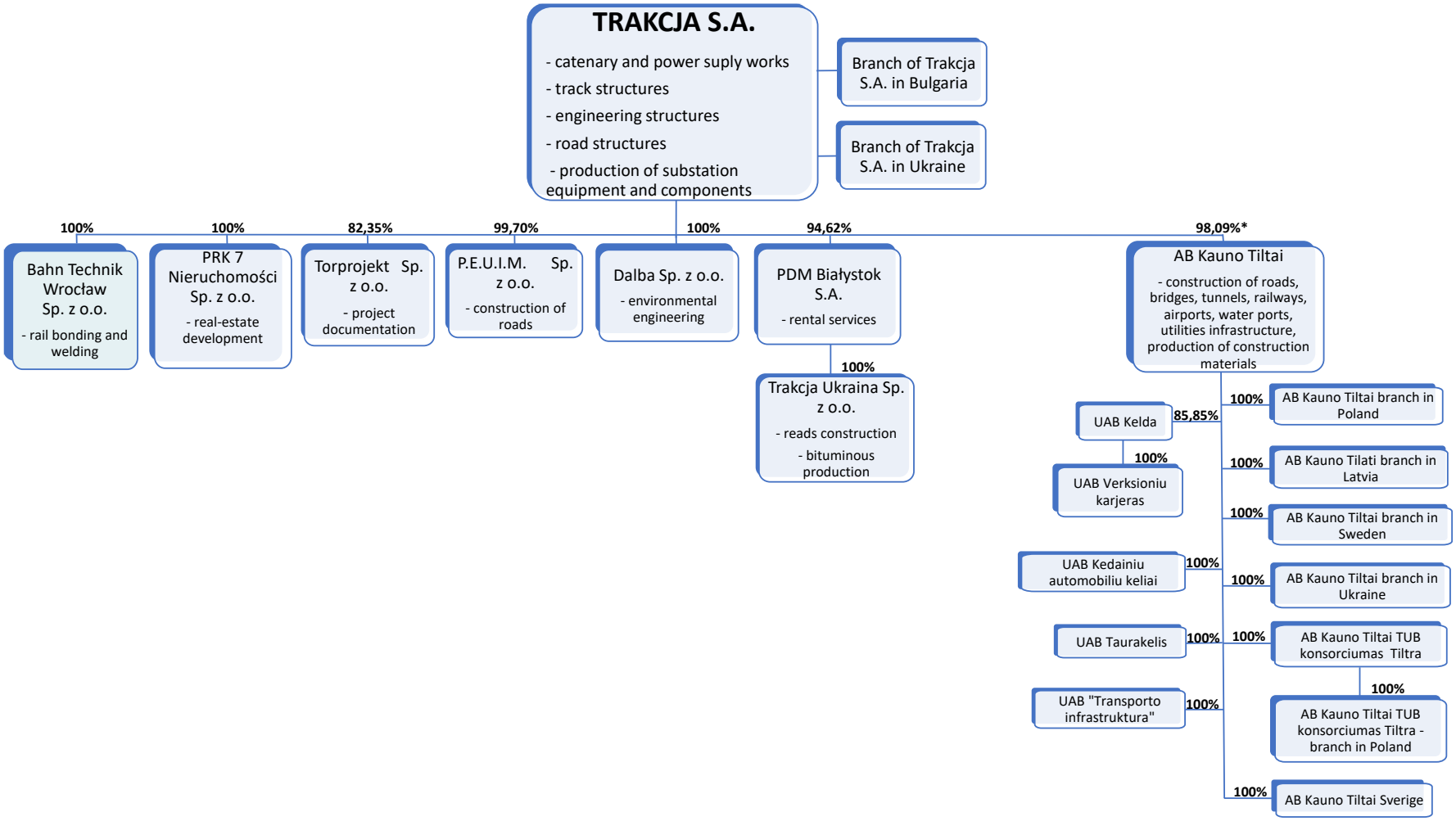
The registered office of the Parent Company is located at Al. Jerozolimskie 100 Street in Warsaw. Both the Parent Company and other entities that are members of the Group are established for an indefinite period of time.

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.

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

As at June 30, 2020 the Group consists of the Parent Company (Trakcja S.A.) and its subsidiaries, that are consolidated using the full method. 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*

3. Changes in the Group

In H1 2020, the Trakcja Group's structure has not changed, and neither business combination, acquisition or loss of control over subsidiaries or long-term investments nor division, restructuring or discontinuation of business occurred.

In H1 2020, the Management Board of Trakcja S.A. adopted a resolution on terminating the business activity of Trakcja S.A. In Bulgaria and its liquidation as of June 1, 2020. The Company initiated a process aiming at de-registering the establishment of Trakcja S.A. w Bułgarii. In consideration of formal and legal requirements as well as formal time limits, the completion of the process of de-registering the establishment and its final closure is foreseen by the end of 2020.

On July 26, 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 PRKiI Spółka Akcyjna" to "Trakcja Spółka Akcyjna".

4. Parent Company's Management Board

As at June 30, 2020 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;
- Robert Sobków - Member of the Management Board;
- Adam Stolarz - Member of the Management Board.

In H1 2020 and after the balance sheet date, there have been no changes to the Management Board's composition.

5. Parent Company's Supervisory Board

As at June 30, 2020 the Company's Supervisory Board was composed of the following members:

- Dominik Radziwiłł - Chairman of the Supervisory Board,
- Jorge Miarnau Montserrat - Vice-Chairman of the Supervisory Board,
- Michał Hulbój - Vice-Chairman of the Supervisory Board,
- Krzysztof Tenerowicz - Member of the Supervisory Board,
- Klaudia Budzisz - Member of the Supervisory Board,
- Miquel Llevat Vallespinosa - Member of the Supervisory Board,
- Fernando Perea Samarra - Member of the Supervisory Board.

Both in the analysed period and after the balance sheet date, there have been no changes to the Supervisory Board's composition. As at the date of publication of this report, the Supervisory Board operated in an unchanged composition.

6. Approval of the condensed consolidated financial statements

These consolidated financial statements were approved for publication by the Management Board on September 16, 2020.

7. 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 50 of this report.

The current development of the SARS CoV-2 pandemic has no influence on the Company's going concern in the foreseeable future. Further development of pandemic-related events is currently difficult to foresee and may adversely affect the Group's operations, timeliness of works, and costs incurred. Detailed information is presented in points 1.5 and 7 of the Report on the Activities of the Trakcja Group.

8. Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with the IAS 34 "Interim Financial Reporting" approved by the European Union and in accordance with the relevant accounting standards applicable to interim financial reporting adopted by the European Union, published and binding at the time of preparing the interim financial statements using these the same rules for the current and comparable period.

These condensed consolidated financial statements do not cover all information or disclosures required in the annual financial statements and they should be read together with the Group's consolidated financial statements for the year ended December 31, 2019.

Measurement currency and currency of the financial statements

The Polish zloty is the measurement currency of the Parent Company and some of the companies within the Group, as well as the reporting currency herein. 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 with its registered office in Sweden, the Belarusian rouble (BGN) is the currency of AB Kauno Tiltai Branch in Belarus, 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..

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 2019. In the first half-year of 2020, no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at June 30, 2020.

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 48 of the Notes to the consolidated financial statements for 2019.

In the first half-year of 2020, 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 2020, the Parent Company did not take control of any significant entity.

9.2. Estimate uncertainty

Determining the timing of satisfaction of performance obligations

Sale of goods

In order to indicate the precise moment of transfer of control, the Group considers each time whether:

a. the Group has a present right to payment for the asset,

b. the customer has legal title to the asset,

c. the Group has transferred physical possession of the asset,

d. the customer has the significant risks and rewards of ownership of the asset,

e. the customer has accepted the asset.

The moment of the transfer of control is the same as the moment when the significant risk and rewards of ownership have been transferred. In the absence of specific terms and conditions between the parties (e.g. by means of Incoterms), the revenue from the sale is recognised at the moment of delivery to the customer, in which case the customer is in physical possession of the goods and thus the legal title is transferred.

Sale of construction services

Performance obligations related to the implementation of long-term construction contracts are satisfied over time in connection with the fact that the customer controls an asset which is created or enhanced by the entity throughout the implementation period. In the opinion of the Group, execution of construction work on land owned by the principal indicates that it controls the asset being created on an ongoing basis.

Determining the transaction price and the amounts allocated to performance obligations

Variable consideration

Contracts for long-term construction services provide for variable consideration that depends on the completion dates and parameters achieved. In order to determine the transaction price, the Group evaluates facts and circumstances determining the probability of occurrence of each scenario. In the case of contracts for which the probability of one scenario is significantly higher than others, then the consideration determined according to the scenario in question is reflected in the transaction price. If the most likely scenario cannot be determined, the transaction price is set based

on the expected value, i.e. determined as an average value weighted by the probabilities of all the scenarios under consideration.

Facts and circumstances determining the probability of occurrence of individual scenarios are reviewed at least at the end of each reporting period. Changes in the transaction price, if any, are recognised prospectively.

Significant financing component

The Group has decided to use the practical expedient and does not adjust the transaction price by the impact of a change in the time value of money in the case of contracts for which the Group expects, at contract inception, that the period between the moment when the Group transfers the good or service and the moment of payment will not exceed one year.

The transaction price of contracts for which the Group expects at contract inception that the period between the moment when the Group transfers goods or services and the moment of payment will be longer than one year is adjusted by a significant financing component. For advance payments, the Group recognises interest expense, whereas for payment terms longer than 12 months, the Group recognises interest income.

In order to estimate the significant financing component, it is necessary to determine the discount rate. The Group uses rates that would be reflected in a separate financing transaction between the entity and its customer at contract inception. In order to reflect the credit characteristics of the party that receives financing, various discount rates are applied to transactions in which the Group acts as the party that provides financing and the party that receives financing.

Discount rates are reviewed at least as at the date of preparation of the financial statements and are applied to contracts concluded after the date on which the rate was updated.

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.

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.

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 June 3, 2017. 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.

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.

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 rare. As at June 30, 2020, there were indications of impairment of some cash-generating units, and the Group carried out a test on this day. The goodwill impairment losses are described in detail in Note 23. As a result of the tests performed no goodwill impairment loss was recognised as at June 30, 2020.

Write-downs of inventories

The Management Board assesses whether there are any indications that inventories may need to be written down in accordance with Note 8.8 of the Notes to the Consolidated Financial Statements for 2019. For that purpose, the Company estimates the net realisable value of those inventories that lost their functional properties or are no longer useful. Additional information is presented in Note 26 of Additional information and explanations.

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. In terms of other receivables and held financial instruments, the Group defines the

write-down to the 12-month expected credit losses if the credit risk is low or it has not increased significantly since the date of including the given component of receivables in the balance sheet, in the amount equivalent to the expected credit losses throughout the life, if the credit risk related with the given component of financial assets has increased significantly since the initial recognition. The change in the expected credit loss of the value of trade and other receivables is presented in Note 27 of Additional information and explanations.

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 36 and Note 37.

Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 23, Note 40 and Note 45 of the Notes to the consolidated financial statements for 2019.

10. Accounting principles

The condensed consolidated financial statements for the period from January 1, 2020 to June 30, 2020 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union and in accordance with the relevant accounting standards applicable to interim financial reporting adopted by the European Union, published and binding at the time of preparing the interim financial statements using these the same rules for the current and comparable period.

These financial statements are presented according to IAS 34 with the same principles being applied for the current and comparable periods and with the comparable period being adjusted accordingly to the changes in the accounting and presentation principles adopted in the current period.

Except for the changes specified in Note 10 hereto, the accounting principles (policy) applied to these condensed consolidated financial statements for the first half-year of 2020 are consistent with those applied to the consolidated financial statements for the financial year ended December 31, 2019, except for the changes described in note 10.1 of this report.

10.1. Selected accounting principles

The accounting principles adopted by the Group are described in detail in its consolidated financial statements for the financial year ended December 31, 2019, published on April 21, 2020.

The effect of using new accounting standards and amendments to the accounting policy

In the period covered by the condensed financial statements for the first half of 2020, the following changes to the accounting principles and principles of drawing up financial statements have been introduced:

- **Amendments to IFRS 3 "Business Combinations"**

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

The purpose of the amendment was to specify the definition of business, and easier differentiation of acquisition of joint ventures from groups of assets for merger settlement purposes.

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

Amendments to IAS 1 and IAS 8 were published on October 31, 2018 and apply to annual periods beginning on or after January 1, 2020.

Their purpose was to further specify the definition of the term "material" for its easier practical application.

- **Reform of reference interest rates (reference rates) - Amendments to IFRS 9, IAS 39 and IFRS 7**

Amendments to IFRS 9, IAS 39 and IFRS 7 were published on September 26, 2019 and apply to annual periods beginning on or after January 1, 2020.

These amendments modify detailed hedge accounting requirements to minimize (eliminate) the potential effects of uncertainties related with the reform of reference (interbank) interest rates. In addition, entitles will be required to add disclosures concerning hedging relations, which are directly affected by reform-related uncertainties.

Changes introduced by the Company independently

In the period covered by the condensed consolidated financial statements for the first half-year of 2020, there were no other changes to the accounting principles and the preparation of the financial statements.

Conversion of items in foreign currency

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 for the first half-year of 2020. Measurement currencies of individual Group companies operating abroad and the method of conversion have not changed compared to those used in the consolidated financial statements of the Trakcja Group for the financial year 2019, where they were described in Note 9.2.

Exchange rate on the reporting date	30.06.2020	31.12.2019
PLN/USD	3,9806	3,7977
PLN/EUR	4,4660	4,2585
PLN/SEK	0,4249	0,4073
PLN/UAH	0,1493	0,1602
PLN/BGN	2,2834	2,1773

The average exchange rate, calculated as the arithmetic average of the rates prevailing on the last day of each month during the period:	30.06.2020	30.06.2019
PLN/USD	4,0214	3,7936
PLN/EUR	4,4413	4,2880
PLN/SEK	0,4157	0,4080
PLN/UAH	0,1532	0,1413
PLN/BGN	2,2708	2,1925

Principles of consolidation

The consolidation principles used to prepare the condensed consolidated financial statements are consistent in all material aspects with the principles described in Note 9.1 to the audited consolidated financial statements of the Trakcja Group for the 2019 financial year prepared in accordance with the International Financial Reporting Standards.

10.2. Standards and amendments to standards adopted by the IASB, but not yet approved by the EU

In these condensed consolidated financial statements, the Group has not decided to apply previously published standards or interpretations before their effective date.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and

new interpretation, which were not endorsed for use in EU as at September 16, 2020 (the effective dates stated below is for IFRS in full):

- Amendments to IAS 1, Presentation of Financial Statements: Classification of liabilities as short- or long-term

The amendment to IAS 1 was published on January 23, 2020 and applies to annual periods beginning on or after January 1, 2022. The amendment re-defines the criteria that must be met for the liability to be recognized as short-term. The amendment affect a change in the presentation of liabilities and their reclassification between short- and long-term liabilities.The Group will apply the amended standard as from January 1, 2022 or from January 1, 2023 in connection with the planned delay of the validity date of the standard.

- Amendments to IFRS 3, IAS 16, IAS 37 and Annual improvements to the 2018-2020 standards

Amendments to these standards were published on May 14, 2020 and apply to annual periods beginning on or after January 1, 2022. Amendments include, amongst others, an introduction of a prohibition to decrease the costs of producing fixed assets by revenues from sales of test products generated during the process of creating/launching a fixed assets.

The Group applies amended standards as from January 1, 2022. At the preparation of these financial statements, it was not possible to reliably estimate the impact of application of the amended standards.

- Amendments to IFRS 16, Leases: Allowances related with Covid-19

The amendment was published on May 28, 2020 and applies as from June 1, 2020. The amendment to IFRS 16 introduces a simplification which allows recognizing modifications to lease contracts in case of any changes in payments with relation to the Covid-19 pandemic.

The Group will apply the amended standard following its approval by the European Committee (pending).

IFRS in the shape approved by the European Union does not currently significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the below standards, interpretations and their changes, which at the day of approving this financial statement for publication have not yet been approved for application by the European Union:

- IFRS 14, Regulatory Deferral Accounts, published on January 30, 2014 (the process of implementation by EU countries is withheld);
- IFRS 17 Insurance Contracts, published on 18 May 2017 along with amendments dated June 25, 2020;
- Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate/joint venture published on September 11, 2014 (the process of implementation by EU countries is withheld);
- Amendments to IAS 1, Presentation of Financial Statements: Classification of liabilities as short- and long-term liabilities, published on January 23, 2020;
- Amendments to IFRS 3, IAS 16, IAS 37 and Annual improvements to the 2018-2020 standards published on May 14, 2020;
- Amendments to IFRS 4, Insurance Contracts - postponement of the application of IFRS 9 published on June 25, 2020;
- Amendments to IFRS 16, Leases: Allowances related with Covid-19 published on May 28, 2020.

The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will 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.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

10.3. Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these consolidated financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 14 Regulatory Deferral Accounts**

The new standard was issued on January 30, 2014 and applies to annual periods beginning on or after January 1, 2016. The new standard is temporary due to the pending works of the IASB on regulating the manner of settling operations in price regulation conditions. Standard. The standard introduces rules on recognizing assets and liabilities connected with regulated price transactions if the entity decides to shift to IFRS.
The Group will start applying the new standard not earlier that the date defined by the European Union as the effective date. Due to the temporary nature of the standard, the European Commission decided not to start the formal standard approval procedure, and to wait for the final standard.

- **IFRS 17 Insurance Contracts**

The new standard was published on May 18, 2017, and then amended on June 25, 2020 and applies to annual periods beginning on or after January 1, 2023. Earlier application is admissible (on the condition of simultaneous application of IFRS 15 and IFRS 9). The standard shall replace existing regulations on insurance contracts (IFRS 4). In addition, IFRS 4 was amended on 25 June 2020 – in the scope of prolonging the period of releasing insurers with the application of IFRS 9 Financial Instruments up to January 1, 2023.

- **Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures**

Amendments to IFRS 10 and IAS 28 were published on September 11, 2014 and apply to annual periods beginning on or after January 1, 2016 (the effective date has been postponed, without defining the date). Amendments will further specify the accounting aspects of transactions through which the parent company will lose control over a subsidiary, which does not constitute "business" according to the definition in IFRS 3 "Business Combinations", through a sale of all or a part of interests in this subsidiary to an associate or a joint venture recognized using the equity method.
The Group will start applying amendments in the standards not earlier that the date defined by the European Union as the effective date. Currently, the European Union decided to postpone the formal procedure of approving amended standards.

The Group is in the process of estimating the impact of the above standards on the consolidated financial statements prepared for periods after the effective date of these standards.

11. 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 6-month period ended June 30, 2020, 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 main impact on the results achieved during in the first half-year of 2020 was primarily affected by the contracts completed by the Group.

12. Information on operating and geographical segments

Segments are described in the consolidated annual financial statements of Trakcja Group for 2019.

Key customers:

In the first half-year of 2020, 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 IH 2020 by a single recipient (TPLN)	Segment presenting the revenues
238 422	Civic building segment - Poland
96 807	Construction, engineering and concession agreements – Baltic countrie

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 1.01.2020 to 30.06.2020	Continued operations						
Unaudited	Civic building segment in Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	347 194	196 535	14 688	558 417	-	-	558 417
Sales between segments	2 615	-	1 223	3 838	-	(3 838)	-
Total segment revenues	**349 809**	**196 535**	**15 911**	**562 255**	**-**	**(3 838)**	**558 417**
Results							
Depreciation	12 559	6 162	100	18 821	-	-	18 821
Financial income - interests	249	156	310	715	-	(307)	408
Financial expenses - interests	9 459	1 083	173	10 715	-	(307)	10 408
Gross profit	**(33 886)**	**(6 278)**	**(3 140)**	**(43 304)**	**-**	**(732)**	**(44 036)**

For the period from 1.01.2019 to 30.06.2019	Continued operations						
Unaudited	Civic building segment in Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	469 367	150 007	36 048	655 422	-	-	655 422
Sales between segments	495	9	232	736	-	(736)	-
Total segment revenues	**469 862**	**150 016**	**36 280**	**656 158**	**-**	**(736)**	**655 422**
Results							
Depreciation	12 368	5 855	449	18 672	-	-	18 672
Financial revenues - interests	406	1 925	181	2 512	-	(281)	2 231
Financial expenses - interests	6 715	1 436	53	8 204	-	(281)	7 923
Gross profit	**(30 371)**	**(14 719)**	**151**	**(44 939)**	**-**	**(64)**	**(45 003)**

As at 30.06.2020	**Continued operations**						
Unaudited	**Civic building segment in Poland**	**Construction, engineering and concession agreements segment - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	**1 134 388**	**520 791**	**58 593**	**1 713 772**	**-**	**(272 974)**	**1 440 798**
Assets not allocated to segments							59 262
Total assests							**1 500 060**
Segment liabilities*	**563 747**	**236 585**	**10 888**	**811 220**	**-**	**(89 837)**	**721 383**
Other disclosures:							
Capital expenditure	(3 052)	(1 838)	(4)	(4 894)	-	-	(4 894)
Impairment of non-financial assets	(2 121)	-	(775)	(2 896)	-	-	(2 896)

** short-term liabilities were allocated to assess segment*

As at 31.12.2019	**Continued operations**						
Audited	**Civic building segment in Poland**	**Construction, engineering and concession agreements segment - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	**1 145 628**	**519 117**	**84 130**	**1 748 875**	**-**	**(319 310)**	**1 429 565**
Assets not allocated to segments							54 755
Total assests							**1 484 320**
Segment liabilities	**712 263**	**190 282**	**27 943**	**930 488**	**-**	**(104 468)**	**826 020**
Other disclosures:							
Capital expenditure	(5 697)	(7 837)	(1 692)	(15 226)	-	101	(15 125)
Impairment of non-financial assets	(9 800)	(128 815)	-	(138 615)	-	-	(138 615)

** short-term liabilities were allocated to assess segment*

Geographical segments

The key data concerning geographical segments has been presented below.

For the period from 1.01.2020 to 30.06.2020 *Unaudited*	**Continued operations**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues						
Sales to external customers	362 115	196 302	558 417	-	-	558 417
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	305	1	306	-	(306)	-
Total segment revenues	**362 420**	**196 303**	**558 723**	**-**	**(306)**	**558 417**

For the period from 1.01.2019 to 30.06.2019 *Unaudited*	**Działalność kontynuowana**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues						
Sales to external customers	484 265	171 157	655 422	-	-	655 422
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	581	9	590	-	(590)	-
Total segment revenues	**484 846**	**171 166**	**656 012**	**-**	**(590)**	**655 422**

As at 30.06.2020 *Unaudited*	**Continued operations**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	1 182 429	531 343	1 713 772	-	(272 974)	1 440 798
Operating liabilities*	592 629	218 591	811 220	-	(89 837)	721 383

As at 31.12.2019 *Audited*	**Continued operations**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	1 192 744	556 131	1 748 875	-	(319 310)	1 429 565
Operating liabilities*	737 838	192 650	930 488	-	(104 468)	826 020

** short-term liabilities were allocated to assess segment*

13. Revenue from contracts with customers

Main types of products and services	Period ended 30.06.2020 *Unaudited*	30.06.2019 *Unaudited*
Revenues from sale of construction services	542 790	625 471
Revenues from design services	5 503	11 528
Revenues from Equipment rental	1 608	3 831
Deliveries of products (switchgears, supporting structures, etc.)	6 677	4 769
Deliveries of goods and materials	691	871
Real estate development activities	-	1 928
Other	1 148	7 024
Total	**558 417**	**655 422**

Distribution of revenues by country	Period ended 30.06.2020 *Unaudited*	30.06.2019 *Unaudited*
Poland	360 828	484 036
Lithuania	162 085	120 327
Sweden	28 857	16 315
Latvia	5 365	13 227
Hungary	58	260
Germany	1 224	-
Ukraine	-	21 257
Total	**558 417**	**655 422**

Distribution of revenues due to recipients	Period ended 30.06.2020 *Unaudited*	30.06.2019 *Unaudited*
Government and local government institutions	535 131	588 286
Private sector	23 286	67 136
Total	**558 417**	**655 422**

Distribution of revenues due to the duration of contracts	Period ended 30.06.2020 *Unaudited*	30.06.2019 *Unaudited*
Over 12 months	294 424	411 390
Up to 12 months	263 993	244 032
Total	**558 417**	**655 422**

All agreements concerning construction contracts are based on a fixed price. 99% of revenues from contracts are recognized using the percentage of completion method. In turn, revenues related to the sale of materials and other services are recognized at the time of transfer of the goods.

In H1 2020, the Company's Management Board undertook negotiations with PKP PLK to amicably settle court disputes. The Company's Management Board is negotiation the receipt of payment due to contract claims proceeded in court from PKP PLK, the total amount of which as at the date of publication of this semi-annual report amounts to approximately PLN 158,6 milion (gross amount along with interest capitalized as at the date of filing the law suit), including the amount attributable to Trakcja is approximately PLN 120.3 million.

The Company, along with consortium partners and subcontractors, is conducting negotiations with PKP PLK with the participation of the General Prosecutor's Office of the Arbitration Court of the Republic of Poland concerning the amount of PLN 139.2 million (gross amount, along with interest capitalized as at the date of filing the suit), whereas the amount due to Trakcja is approximately PLN 106.9 million.

The value of other contractual claims sought out of court by the Company along with consortium partners and subcontractors amounts to PLN 233.3 million, whereas the amount due to Trakcja is approximately PLN 197.4 million. At this stage, the Management Board of the Parent Company is not able to define the end date of negotiations or their effect on the financial result.

Based on internal analyses and the opinions of external advisors, the Company takes court claims filed against contracting authorities into account in the budgets of long-term contracts. The amount of court claims filed by the Company against contracting authorities, accounted for in long-term contract budgets, was adjusted by the risk factor and the probability factor. The amount of claims recoverable by the Company ranges from PLN 35 million to PLN 50 million. The amount was estimated on the basis of expert opinions and estimates of the Company, based on historical data and analyses of individual contracts. The Management Board is not stating an exact amount of claims in the financial statements in the interest of pending negotiations with the contracting authority. In addition, the Parent Company included revenue from claims raised under a contract in the valuation of a significant road contract.

14. Operating expenses

Expenses by type:

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Depreciation	18 821	18 672
Consumption of materials and energy	176 137	172 174
External services	278 345	367 478
Taxes and charges	2 285	3 020
Payroll	106 951	103 477
Social security and other benefits	19 647	19 898
Other types of costs	18 792	21 164
Total costs by type	**620 978**	**705 882**
Change in inventories, products and prepayments	(27 629)	(15 274)
Cost of manufacture of products for the entity's own needs (negative	(7 167)	(3 361)
Cost of sales, marketing and distribution (negative value)	(2 674)	(3 087)
General and administrative costs (negative value)	(32 879)	(32 804)
Manufacturing cost of products sold	**550 629**	**651 356**
Value of materials and goods sold	**2 917**	**4 520**
Cost of goods sold	**553 546**	**655 876**

15. Other operating revenues

	Period ednded	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Received penalties and fines	280	-
Re-invoicing of costs	-	43
Redeemed liabilities	17	114
Profit on sale of non-financial non-current assets	1 407	686
Revenue from patents and licenses	1 024	-
Other	1 558	1 167
Total	**4 286**	**2 008**

16. Other operating costs

	Period ednded	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Paid penalties, fines and compensations	-	1 759
Litigation costs paid	594	376
Donations made	142	76
Value of liquidated non-financial assets	41	232
Receiveables write-off	1 592	7
Other	1 204	1 481
Total	**3 573**	**3 931**

17. Financial revenues

	Period ednded	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Financial revenues from interest, including:	408	2 231
- bank interest	212	168
- interest on receivables	15	29
- on a financial asset under a service concession arrangement	-	1 705
- other	181	329
Foreign exchante rate gain	-	166
Other financial revenues	156	94
Total	**564**	**2 491**

18. Financial costs

	Period ednded	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Financial costs on account of interest, including:	10 408	7 923
- interest on loans and borrowings	6 583	3 187
- on liabilities	1 363	2 492
- on bonds	116	-
- on leasing	1 931	2 019
- on liability from employee benefits	32	
- other	383	225
Loss from exchange rate differences	1 824	-
Financial commision paid	773	319
Factoring related costs	1	24
Commission fee expenses relating to advance payment guarantee	-	406
Other financial costs	1 625	554
Total	**14 631**	**9 226**

19. Income tax

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Current income tax:	**778**	**(814)**
- current income tax charge	771	1 718
- adjustments related to current income tax from previous years	7	(2 532)
Deferred tax:	**(6 568)**	**(8 368)**
- related to increase and decrease in temporary differences	(6 568)	(8 368)
Total	**(5 790)**	**(9 182)**

Income tax was partially determined according to the rate of 19% applicable to legal entities that operate in Poland. The income tax rates applicable to foreign companies being members of Trakcja Group are as follows: 15% in Lithuania and Latvia, 22% in Sweden, 18% in Belarus, 10% in Bulgaria and 18% in Ukraine.

Income tax recognised in other comprehensive income

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Actuarial gains/(losses)		
Gross amount	9	(16)
Tax	(3)	3
Net amount	**6**	**(13)**
Cash flow hedging instruments		
Gross amount	-	(679)
Tax	-	102
Net amount	**-**	**(577)**
Foreign exchange differences on translation of foreign operations		
Gross amount	10 439	(3 952)
Net amount	**10 439**	**(3 952)**

20. Profit (loss) per share

For each period, earnings per share are computed as the quotient of the net profit attributable to shareholders of the Parent Company for the period and the weighted average number of shares in the period. Diluted earnings per share for a reporting period are calculated by dividing net profit attributable to shareholders of the of the Parent Company for the period by the sum of the weighted average number of shares outstanding in the reporting period and all potential dilutive shares.

Earnings (loss) per share:

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Net profit (loss) from continued operations	(38 246)	(35 821)
Net profit applied to calculate diluted earnings per share	(38 246)	(35 821)
Net profit attributable to shareholders of Parent entity applied to calculate diluted earnings per share	(37 994)	(35 747)
Number of issued shares (pcs)	**86 450 976**	**51 399 548**
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	86 450 976	51 399 548
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	86 450 976	51 399 548

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

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
- basic	(0,44)	(0,70)
- diluted	(0,44)	(0,70)

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

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
- basic	(0,44)	(0,70)
- diluted	(0,44)	(0,70)

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

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
- basic	(0,44)	(0,70)
- diluted	(0,44)	(0,70)

21. Tangible non-current assets

Below we present the structure of tangible fixed assets divided into own and leased assets:

As at 30.06.2020 *Unaudited*	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed asset**	**Other fixed asset**	**Total**
Own	60 818	73 536	30 304	9 533	728	**174 917**
Used on the basis of a lease, tenancy or other contract, including lease, perpetual usufruct right to land	21 200	47 620	47 908	-	-	**116 728**
Total	**82 018**	**121 155**	**78 211**	**9 533**	**728**	**291 645**

As at 31.12.2019 *Audited*	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed asset**	**Other fixed asset**	**Total**
Own	72 728	71 631	25 566	9 807	261	179 993
Used on the basis of a lease, tenancy or other contract, including lease, perpetual usufruct right to land	5 209	47 788	53 238	-	-	106 235
Total	**77 937**	**119 419**	**78 804**	**9 807**	**261**	**286 228**

22. Transaction of acquisition and sale of tangible non-current assets and other intangible assets, including any commitments for acquisition of tangible non-current assets

From January 1, 2020 to June 30, 2020 the Group purchased tangible non-current assets and intangible assets in the amount of PLN 20,787 thousand (as compared to PLN 11,394 thousand in the comparable period of 2019), including PLN 18,800 thousand are assets under new leasing contracts.

From January 1, 2020 to June 30, 2020 the Group sold tangible non-current assets and intangible assets in a total book value of PLN 2,159 thousand (as compared to PLN 589 thousand in the comparable period).

23. Goodwill

As at June 30, 2020 the goodwill disclosed in the consolidated financial statements by the Group was PLN 221,588 thousand (as at December 31, 2019: PLN 217,715 thousand) was recognised in the following items:

- Goodwill on consolidation – PLN 172,856 thousand (as at December 31, 2019: PLN 168,983 thousand),
- Intangible assets – PLN 48,732 thousand (as at December 31, 2019: PLN 48,732 thousand).

Goodwill on consolidation

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Balance at the beginning of the period	**168 983**	**308 782**
Impairment charged to P&L during the year	-	(138 182)
Exchange rate differences	3 873	(1 617)
Balance at the end of the period	**172 856**	**168 983**

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Goodwill at cost	396 813	392 940
Acumulated impairment	(223 957)	(223 957)
Goodwill after all write-offs	**172 856**	**168 983**

Allocation of goodwill to cash generating units ("CGU") after recognition of impairment losses

Goodwill was allocated to the following cash generating units:

As at 30.06.2020	CGU: Trakcja S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Grupy AB Kauno Tiltai	CGU: PRK7 Nieruchomości	Total
Goodwill allocated after recognition of impairment	**58 160**	**28 374**	**130 274**	**4 780**	**221 588**
recognized in goodwill on consolidation	9 428	28 374	130 274	4 780	172 856
recognized in intangible assets	48 732	-	-	-	48 732

As at 31.12.2019	CGU: Trakcja PRKiI S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Grupy AB Kauno Tiltai	CGU: PRK7 Nieruchomości	Total
Goodwill allocated after recognition of impairment	**58 160**	**28 374**	**126 401**	**4 780**	**217 715**
recognized in goodwill on consolidation	9 428	28 374	126 401	4 780	168 983
recognized in intangible assets	48 732	-	-	-	48 732

Test for impairment of goodwill

Due to the occurrence of premises indicating the possibility of impairment of goodwill, as at June 30, 2020, a test was performed for the impairment of goodwill assigned to all cash-generating units. The recoverable amount of CGUs is determined by calculating the value in use. These calculations use 4,5-year projections of cash flows. The growth rate in the residual period was set at 2% and it does not exceed the longterm inflation rate. The Management Board determines the budgeted margin on the basis of historical performance, updated contract budgets and its projections regarding market growth. Weighted average growth rates are consistent with the projections presented in industry reports. The discount rate applied is a pre-tax rate reflecting specific threats to individual segments not included in the cash flow projections, calculated using the CAPM model.

Impairment tests were carried out as at the balance sheet date, according to the best knowledge at the time of their preparation. A systemic factor that may affect the future measurement of all assets, in particular financial assets (in the separate financial statements) and goodwill in the consolidated financial statements is the Covid19 pandemic. At the time of preparing these statements, it is not possible, for objective reasons, to make an overall assessment of the impact of the pandemic on test results. When assessing potential effects specific to the company, the following factors can be distinguished (with indication of their direction):

- decrease in the cost of debt financing due to the decrease in interest rates (+),
- increase in risk factors for cash generating units on the Polish and Lithuanian markets (-),
- potential decrease in labour costs and increase in labour availability (+),
- improvement of competitive position in relation to other contractors due to insignificant share of foreigners in the employment structure (+),
- potential disruptions to the continuity of contract performance due to prolonged administrative decisions (-),
- change in prices of key materials, including: (1) potential decrease in the price of petroleum-based materials (e.g. asphalt) (+), (2) potential increase in material prices due to disruption of supply chains (-),
- stimulation of the economy through governmental infrastructure investment programmes (+),
- weakening of PLN against EUR and USD and potential volatility of exchange rates (+/-),
- potential increase in risk of payment backlogs and even insolvency of consortium partners and subcontractors (-).

Given the number of variables and uncertainties related to the direction of the pandemic's development as well as its effects, the result of future impairment tests may fluctuate beyond the levels of reasonable change in key assumptions assumed at the date of approval of the financial statements for publication.

Basic assumptions adopted for the purpose of the impairment test of CGU:

As at 30.06.2020	CGU: Trakcja S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PRK7 Nieruchomości	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Gr.AB Kauno Tiltai
WACC before taxation	11,6%	11,0%	11,1%	10,8%
Wacc after taxation	9,4%	9,4%	9,4%	9,5%
EBITDA margin	4% - 7,7%	2,8% - 6,9%	4,5% - 9,1%	3,6% - 7,3%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

As at 31.12.2019	CGU: Trakcja PRKiI S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PRK7 Nieruchomości	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Gr.AB Kauno Tiltai
WACC before taxation	12,6%	12,5%	12,5%	11,3%
Wacc after taxation	10,6%	10,6%	10,6%	10,0%
EBITDA margin	3,4% - 8,7%	1,4% - 4,8%	5,2% - 9,1%	3.5% - 7.2%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

As a result of the tests, as at June 30, 2020, no impairment of goodwill was found.

The sensitivity analysis carried out indicates that significant factors affecting the estimates of the value in use of cash-generating units include profitability of construction contracts in progress and the discount rate used.

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

Sensitivity analysis for CGU comprising: Trakcja, Torprojekt Sp. z o.o. and BTW Sp. z o.o.

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	20 308	(20 308)
WACC	+/- 0,25 p.p.	(11 491)	12 282

The Group analysed the sensitivity of the change in EBITDA by +/- 2.5% and in after-tax WACC by +/-0.25 p.p., which led to the conclusion that a reasonable change in assumptions would not trigger the need to recognise an impairment loss.

Sensitivity analysis for CGU comprising: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM Białystok S.A.:

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	2 234	(2 234)
WACC	+/- 0,25 p.p.	(1 758)	1 879

The Group analysed the sensitivity of the change in EBITDA by +/- 2.5% and in after-tax WACC by +/-0.25 p.p., which led to the conclusion that a reasonable change in assumptions would not trigger the need to recognise an impairment loss.

Sensitivity analysis for CGU comprising companies from the AB Kauno Tiltai Group:

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	10 816	(10 816)
WACC	+/- 0,25 p.p.	(9 557)	10 223

The Group analysed the sensitivity of the change in EBITDA by +/- 2.5% and in after-tax WACC by +/-0.25 p.p., which led to the conclusion that a reasonable change in assumptions would not trigger the need to recognise an impairment loss.

Sensitivity analysis for CGU comprising companies from the PRK 7 Nieruchomości:

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	761	(761)
WACC	+/- 0,25 p.p.	(944)	1 005

The Group has analysed the sensitivity of changes in EBITDA by +/- 2.5% and WACC by +/- 0.25% and concluded that a reasonable change in the assumptions would not result in any impairment loss being recognised.

24. Investment properties

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

The most recent valuation of investment properties by an independent expert was carried out as at December 31, 2019. As at June 30, 2020 the Company stated that there were no indications that the values of investment properties changed significantly. The valuation method applied and the unobservable input data used for valuation, as well as the descriptive presentation of the fair value sensitivity to changes in the unobservable input data are described in detail in Note 23 to the Consolidated Annual Financial Statements of Trakcja Group for 2019. In the first half of 2020, there was no change in the technique of fair value measurement.

The Group categorises investment properties within Level 3 of the fair value hierarchy. In the first half-year of 2020, there were no transfers made between levels 1, 2 and 3.

In the period ended June 30, 2020 there were no significant changes in the value of investment property.

	Own real estate	Right-of-use assets	Total
Balance as at January 1, 2019r.	**20 445**	**-**	**20 445**
Values ??update	(199)	-	(199)
IFRS 16 input	-	2 236	2 236
Depreciation	-	(34)	(34)
Exchange differences	(1)	-	(1)
Balance as at December 31, 2019	**20 245**	**2 202**	**22 447**
Depreciation	-	(16)	(16)
Exchange differences	3	-	3
Balance as at June 30, 2020	**20 248**	**2 186**	**22 434**

25. Other financial assets

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Assets valued at amortised cost	**18 056**	**18 901**
Bank guarantee deposits	17 206	14 173
Other bank deposits	850	4 728
Total	**18 056**	**18 901**
including:		
- recognised as non-current assets	6 419	6 202
- recognised as current assets	11 637	12 699

In the first half-year of 2020, there were no impairment losses recognised on the individual financial assets.

26. Inventory

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Materials	105 600	110 171
Semi-finished goods and products in progress	31 330	16 476
Finished goods	1 217	651
Merchandise	13 939	9 021
Total, gross inventory	**152 086**	**136 319**
Inventory revaluation write-offs	**(972)**	**(929)**
Materials	104 674	109 290
Semi-finished goods and products in progress	31 330	16 476
Finished goods	1 190	624
Merchandise	13 920	9 000
Total, net inventory	**151 114**	**135 390**

27. Trade and other receivables

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Gross trade receivables, before discounting	**366 999**	**324 865**
Total, gross trade receivables	**366 999**	**324 865**
including:		
- receivables from related entities	*99*	-
Budgetary receivables	4 005	3 612
Receivables claimed in court	4 794	4 865
Investment property sale receivables	53 000	53 000
Other receivables from third parties	33 803	49 353
Amounts held	44 419	36 729
Advances paid	3 416	3 920
Total, gross trade and other receivables	**510 436**	**476 344**
Oczekiwana strata kredytowa	(78 095)	(76 595)
Total	**432 341**	**399 749**

28. Cash and cash equivalents

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Cash in hand	61	127
Cash at bank	40 895	76 340
Other cash - deposits	653	31 006
Total cash and cash equivalents	**41 610**	**107 473**
Cash and cash equivalents excluded from cash flow statement	(12)	(12)
Cash and cash equivalents presented in cash flow statement	**41 598**	**107 461**

Cash excluded from the statement of cash flows as at June 30, 2020 in the amount of PLN 12 thousand pertains to cash blocked on the property development project accounts (PLN 12 thousand as at December 31, 2019).

29. Settlements under contracts with customers

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Contracts with customers assets	**230 941**	**211 032**
Surplus of revenues resulting from degree of advancement over invoiced revenues	209 380	197 200
Advances paid towards contracts being performed	21 561	13 832
Contracts with customers liabilities	**149 512**	**154 250**
Surplus of invoiced revenues over revenues resulting from degree of advancemen	61 184	41 287
Advances received towards contracts being performed	88 328	112 963

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

and the recognition of revenue in connection with the transfer of control over products or goods that will be invoiced in the future.

In the statement of financial position, the Group recognises a contract liability, i.e. the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group recognises a contract liability mainly in relation to contracts for which the payment is made in advance and in relation to the consideration for construction works received in advance for services not yet provided by the Group.

No adjustments to revenue were made in any of the periods presented that would affect an asset or liability for contracts with customers in connection with the settlement of changes in contracts or changes in the estimated transaction price. In addition, no revenue was recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

Contracts with customers assets

	30.06.2020 *Unaudited*	**31.12.2019** *Audited*
Balance at the beginning of the period	**211 032**	**206 887**
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	135 236	171 750
(-) Invoicing	(117 273)	(167 225)
Exchange rate differences	1 946	(380)
Balance at the end of the period	**230 941**	**211 032**

Contracts with customers liabilities

	30.06.2020 *Unaudited*	**31.12.2019** *Audited*
Balance at the beginning of the period	**154 250**	**141 258**
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	66 811	88 480
(-) Revenues recognized in the period included in balance of liabilities at the beginning of the period	(72 013)	(75 372)
Exchange rate differences	464	(116)
Balance at the end of the period	**149 512**	**154 250**

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

The table below shows the change in the balance of advance payments received:

Advance payments received for contracts in progress

	30.06.2020	31.12.2019
	Unaudited	*Audited*
Balance at the beginning of the period	**112 963**	**117 989**
Increases (+) (new advances)	28 205	51 628
Decreases (-) (settlement of advances - revenues of period	(53 480)	(56 601)
Exchange rate differences	640	(53)
Balance at the end of the period	**88 328**	**112 963**

The table below presents the change in the balance of advance payments transferred:

Advance payments transferred for contracts in progress

	30.06.2020	31.12.2019
	Unaudited	*Audited*
Balance at the beginning of the period	**13 832**	**6 044**
Increases (+): transfer of advances	18 247	22 452
Decrease (-): settlement of advances in the period	(10 978)	(14 531)
Exchange rate differences	460	(133)
Balance at the end of the period	**21 561**	**13 832**

30. Share capital

	30.06.2020	31.12.2019
	Unaudited	*Audited*
	Par value 0.8 PLN	Par value 0.8 PLN
Series A ordinary shares	51 399 548	51 399 548
Series B ordinary shares	10 279 909	10 279 909
Series C ordinary shares	24 771 519	24 771 519
Total	**86 450 976**	**86 450 976**

As at June 30, 2020 the share capital was PLN 69,160,780.80 and was divided into 51,399,548 series A ordinary bearer shares and 10,279,909 series B ordinary bearer shares and also 24,771,519 series C registered shares with a par value of PLN 0.80 per share. Each share constitutes one vote at the General Meeting of Shareholders. All shares are fully paid-up.

On February 6, 2020, the conditional increase of the Parent Company's share capital was entered into the register by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register. Accordingly, the Parent Company's share capital was conditionally increased from PLN 69,160,780.80 by not more than PLN 13,023,288 through the issue of not more than 16,279,110 Series D ordinary bearer shares with a par value of PLN 0.80 per share. Series D shares may be subscribed for by holders of series F and G convertible bonds issued by the Parent Company after the balance sheet date, i.e. on May 8, 2020.

31. Interest-bearing loans and borrowings

Loans incurred by the Parent Company and its subsidiaries have been set out in the table below:

Name of Company	Lender Creditor	Type of loan, credit	Amount by currency contracts (in thousands)	Contract Currency	Maturity date	Interests	Amount left to be paid (in thousands)
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	21 500	PLN	31.12.2022	WIBOR 1M + margin	21 535
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	92 600	PLN	31.12.2022	WIBOR 1M + margin	92 751
Trakcja S.A.	mBank S.A.	overdraft facility	20 000	PLN	31.12.2022	WIBOR O/N + margin	16 451
Trakcja S.A.	mBank S.A.	working capital credit	50 000	PLN	31.12.2022	WIBOR 1M + margin	49 228
Trakcja S.A.	COMSA S.A.	loan from related undertaking	2 674	PLN	30.12.2020	WIBOR 3M + margin	82
Trakcja S.A.	COMSA S.A.	loan from related undertaking	5 000	PLN	30.12.2020	WIBOR 3M + margin	159
Trakcja S.A.	mBank S.A.	investment credit	21 500	PLN	31.12.2022	WIBOR 1M + margin	6 322
Trakcja S.A.	Pekao S.A.	overdraft facility	20 000	PLN	31.12.2022	WIBOR 1M + margin	19 447
Trakcja S.A.	mBank S.A.	working capital credit	15 000	PLN	31.12.2022	WIBOR 1M + margin	14 999
Trakcja S.A.	mBank S.A.	working capital credit	15 000	PLN	31.12.2022	WIBOR 1M + margin	14 998
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	27 600	PLN	31.12.2023	WIBOR 1M + margin	27 648
AB Kauno Tiltai	Luminor Bank AB	working capital credit	4 000	EUR	31.05.2023	EURIBOR 3M + margin	13 304
AB Kauno Tiltai	Luminor Bank AB	overdraft facility	12 000	EUR	30.06.2021	EURIBOR 1M + margin	15 281
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	investment credit	2 500	PLN	30.12.2020	WIBOR 1M + margin	350
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	overdraft facility	3 000	PLN	31.12.2022	WIBOR 1M + margin	-
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	Idea Getin Leasing	loan from other entities	244	PLN	15.06.2024	WIBOR 1M + margin	204
PDM S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	2 500	PLN	31.12.2022	WIBOR 1M + margin	2 500
Dalba Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	1 000	PLN	31.12.2022	WIBOR 1M + margin	1 000
Dalba Sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	814	PLN	31.05.2023	interest-free	814

Bahn Technik Wrocław Sp. z o.o.	Plasser & Theurer, Export von Bahnbaumaschinen, Gessellschaft m.b.H.	investment loan	1 800	EUR	31.12.2020	oprocentowanie stałe	1 027
Bahn Technik Wrocław Sp. z o.o.	mLeasing	loan from other entities	16 397	PLN	15.03.2025	WIBOR 1M + margin	14 216
Bahn Technik Wrocław Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	2 000	PLN	31.12.2022	WIBOR 1M + margin	2 000
Bahn Technik Wrocław Sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	1 412	PLN	31.05.2023	interest-free	1 412
Torprojekt Sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	1 180	PLN	13.05.2023	interest-free	1 180
PRK 7 Nieruchomości Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	4 000	PLN	31.12.2022	WIBOR 1M + margin	4 000
						Total	**320 908**

The interest rate of the loans received is the WIBOR/EURIBOR rate plus a bank margin. Bank margins depend on the bank and fixed repayment of the loan.

Long-term interest-bearing loans and borrowings:

	30.06.2020	**31.12.2019**
	Unaudited	*Audited*
Bank loans	218 830	114 403
- investment loans	1 263	3 793
- working capital loans	185 245	110 610
- overdraft	32 322	-
Loans from other entities	15 047	180
- loans from third parties	15 047	180
Loans from related entities	22 619	27 600
Lease liabilities	71 377	65 674
Total	**327 873**	**207 857**

Short-term interest-bearing loans and borrowings:

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Bank loans	55 334	124 866
- investment loans	5 408	5 757
- working capital loans	31 070	99 662
- overdraft	18 856	19 447
Loans from other entities	3 807	2 357
- investment loans	1 027	2 310
Loans from other entities	2 780	47
Loans from related entities	5 271	7 724
Lease liabilities	20 466	18 843
Total	**84 878**	**153 790**
Total short and long term loan and credits	**412 751**	**361 647**

Change in interest-bearing loans and advances in the first half of 2020:

	Credits and loans
As at 1.01.2020	**277 130**
Audited	
Receipt of credits and loans	67 737
Repayment of credits and loans	(25 115)
Accrued interest	7 401
Interest paid	(7 074)
Exchange rate differences	829
As at 30.06.2020	**320 908**
Unaudited	
including	
- long-term	256 496
- short-term	64 412

Structure of leasing liabilities:

Lease liabilities as per the balance sheet

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Long-term	71 377	65 674
Short-term	20 466	18 843
Total	**91 843**	**84 517**

Maturity analysis of lease liabilities according to contracts:

Undiscounted lease liabilities as per contracts	**30.06.2020** *Unaudited*	**31.12.2019** *Audited*
Within 1 year	23 895	22 078
Within 1 to 5 years	61 606	54 331
Over 5 years	33 482	35 261
Total undiscounted lease liabilities	**118 983**	**111 670**

The present value of the minimum lease payments	**30.06.2020** *Unaudited*	**31.12.2019** *Audited*
Within 1 year	20 466	18 843
Within 1 to 5 years	55 762	48 624
Over 5 years	15 615	17 050
Total	**91 843**	**84 517**

Costs related to lease contracts:

	30.06.2020 *Unaudited*
Depreciation	9 986
Interest	1 931
Total leasing costs	**11 917**

Cash flow from lease contracts in the period from January 1, 2020 to June 30, 2020 was negative at PLN -12, 218 thousand.

32. Bonds

On May 8, 2020 the Company's Management Board adopted a resolution to:

- allot all 11,764,705 Series F secured registered bonds convertible into Series D shares of the Company with a nominal value of PLN 1.70 per share, with a total nominal value of PLN 19,999,998.50 and an issue price equal to the par value (“Series F Bonds”) to Agencja Rozwoju Przemysłu S.A. (“ARP”) and

- allot all 4,514,405 Series G unsecured registered bonds convertible into Series D shares of the Company with a nominal value of PLN 1.70 per share, with a total nominal value of PLN 7,674,488,50 and an issue price equal to the par value (“Series G Bonds”) to COMSA S.A.U (“Comsa").

Series F Bonds and Series G Bonds were issued at an issue price equal to their par value. The Series F Bonds are secured with collateral indicated in the Terms and Conditions of Issue of Series F Bonds, including in particular a highest-ranking contractual mortgage on the Company's real property located in Bieńkowice established in favour of the mortgage administrator. In addition, the Company submitted representations on submission to enforcement under Article 777 § 1(5) of the Code of Civil Procedure for the benefit of the ARP concerning all of the Company's assets and for the benefit of the collateral administrator concerning the mortgaged property. Series G bonds are unsecured and are subject to contractual subordination in accordance with the Intercreditor Agreement.

The bonds bear interest based on 1M WIBOR plus an agreed margin. Interest will be accrued and paid on a monthly basis, with interest on Series G Bonds to be paid at the earliest upon redemption of Series G Bonds. The Bonds redemption date is December 30, 2022. The Bonds may be redeemed early in cases provided for by law, as well as in

the event of occurrence of circumstances that are typical for this type of bonds, as set out in the Terms and Conditions of issue of Series F Bonds and Series G Bonds. The Bonds were issued pursuant to Article 33 (2) of the Bond Act. The issue of bonds constitutes an element of the long-term financing, as notified by the Company in the Report on Long-Term Financing.

Bond series	Issue date	Maturity date	Nominal value of 1 bond (in PLN)	Series nominal value (in ths. PLN)
F	08.05.2020	30.12.2022	1,7	20 000
G	08.05.2020	30.12.2022	1,7	7 674

All Series F Bonds were paid for by bank transfer to the bank account of the Parent Company. The amount due from Comsa as a result of accepting the offer to purchase Series G Bonds was set off against Comsa's claim resulting from the loan granted to the Parent Company.

On August 5, 2020, the Company signed Annex no. 1 to the Terms of Issue of F Series Bonds with Bondholder ARP, in regard to a change of the date for interest payments. The new interest payment date (interest period) shall be 3 months.

Structure of bonds:

	30.06.2020 *Unaudited*	**31.12.2019** *Audited*
Long-term	27 538	-
Short-term	84	-
Total	**27 622**	**-**

As at the balance sheet date, June 30, 2020, the bonds were recognized at amortized cost.

33. Failure to repay borrowings or violation of their terms, with regard to which no corrective measures have been taken

As at June 30, 2020, the Group did not have unpaid loans or borrowings. In addition, the Group did not breach material provisions of the loan or loan agreement, for which no remedial action was taken by the end of the reporting period.

Long-term financing agreement i.e. “Joint Terms Agreement” executed on September 27, 2019, as informed by the Company in the current report no. 51/2019, imposes an obligation for the Company to achieve and maintain defined financial indicators (hereafter “Covenants”) at the Company or Group level. The agreement foresees that the first verification of fulfilment of Covenants by the Company and by the Group will take place on September 30, 2020. Covenants will be calculated based on the data for the last 12 months. According to the Company’s Management Board, as at the publication date of the report a (high) risk exists that contractual financial indicators will not be achieved.

On September 10, 2020, the Parent Entity requested the financing entities to amend the deadlines for verification of Covenants. Pursuant to the long-term financing agreement, the Company is required to immediately inform the cooperation agent (”Agent”) upon becoming aware that Covenants will not be met (which may occur upon the initial calculation of the Company’s and Group’s results for the 3 quarters of 2020, and the initial calculation of financial indicators defined in the long-term financing agreement). The Agent may undertake, or be obliged to undertake - on request of the majority of financing entities i.e. entities, the exposure of which constitutes at least 50.1% of the total exposure of all financing entities at the time - defined activities, such as make all used funds payable on demand, or make the debt due and payable maintaining the deadlines provided for in the agreement. The Company is in regular contact with the Agent and with financing entities, which are regularly informed (at least once a month) about the progress in the execution of the Recovery Plan (management reports on the execution of the Recovery Plan are verified by an advisor).

Until the date of this report the Company has not received a response to the submitted request to amend the deadlines for the verification of Covenants.

34. Financial derivatives

Cash flow hedging instruments and application of hedge accounting

The Issuer's subsidiary, AB Kauno Tiltai, applies hedge accounting to the concluded IRS contracts , which secure future cash flow from planned interest payments on a term loan. Pursuant to the agreement, the company is a payee of amounts at a fixed rate, whereas the bank is a payee of amounts at a variable rate.

Fair value of the IRS contracts is calculated as the present value of future cash flows estimated using the yield curves. In the first half-year of 2020, the measurement method remained unchanged.

In the reporting period, the hedge of the interest rate fluctuations was highly effective, and therefore no ineffective part thereof was identified or recognised in profit or loss

The Group categorises financial derivatives within Level 2 of the fair value hierarchy. In the first half-year of 2020, there were no transfers made between Levels 1, 2 and 3. The categorisation within Levels 1, 2 and 3 has been described in detail in Note 38.

35. Provisions

	Provisions
As at 1.01.2020	**108 866**
Audited	
Recognized	10 352
Variations due to currency translation	527
Used	(7 357)
Reversed	(27 982)
As at 30.06.2020	**84 406**
Unaudited	
including	
- long-term	17 019
- short-term	67 387

36. Trade and other liabilities

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Trade liabilities, before discounting	300 075	326 548
Total, net trade liabilities after discounting	**300 075**	**326 548**
including:		
- liabilities from related entities	269	372
Amounts held	46 207	42 362
Budgetary liabilities	31 979	30 078
Payroll liabilities	12 883	6 460
Other liabilities towards third parties	5 538	3 225
Dividends and other distributions	93	93
Total trade and other liabilities	**396 775**	**408 766**

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Trade liabilities before discounting	346 282	368 910
With maturity within 12 months	325 238	348 404
With maturity over 12 months	21 044	20 506
Total, Trade liabilities after discounting	**346 282**	**368 910**

37. Fair value of financial instruments

In the first half-year of 2020, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the consolidated annual financial statements. 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 borrowings granted and any loans and borrowings incurred are based on the variable market rates linked to WIBOR and EURIBOR, and therefore their fair values are close to their carrying amounts.

The fair value of the IRS contracts (classified as financial derivatives) is calculated as the present value of future cash flows estimated using the yield curves.

In the first half-year of 2020, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

38. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment properties and financial derivatives. In the first half of 2020, there was no change in the technique of fair value measurement of the above assets and liabilities. The measurement method applied and the unobservable inputs used for measurement are described in detail in notes 23 and 46 in the Group's consolidated annual financial statements for 2019.

Balance sheet elements	Level 1		Level 2		Level 3	
accounted in fair value	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Derivatives (liability)	-	-	8	8	-	-
Investment properties	-	-	-	-	22 434	22 447
Office properties	-	-	-	-	17 875	17 875
Land properties	-	-	-	-	1 961	1 974
Deposits of natural aggregates	-	-	-	-	2 598	2 598

Level 1 – quoted market prices for similar assets or liabilities in active markets;

Level 2 – prices in active markets other than quoted market prices, set directly (by comparison with actual transactions) or indirectly (by application of measurement methods based on actual transaction);

Level 3 – prices other than prices in active markets.

In the first half-year of 2020, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

39. Changes in business or economic conditions affecting fair value of the Group's financial assets or liabilities either recognised at fair value or at amortised cost

In the first half-year of 2020, there were no changes in any business or economic conditions which would have a significant effect on fair value of financial assets or liabilities.

In addition, the Group analysed the risk of impairment of assets and financial liabilities in connection with the outbreak of the SARS CoV-2 pandemic and assessed this risk as low.

40. Change in impairment losses and write-downs

	Goodwill	Inventory	Receivables	Total
As at 1.01.2020	**223 957**	**929**	**76 595**	**301 481**
Audited				
Recognized	-	22	2 874	2 896
Variances due to currency translation	-	21	103	124
Wykorzystanie	-	-	(254)	(254)
Reversed	-	-	(1 223)	(1 223)
As at 30.06.2020	**223 957**	**972**	**78 095**	**303 024**
Unaudited				

41. Joint ventures

Jointly controlled operations – contracts performed in consortia

The Group performs certain long-term contracts under consortium agreements, as the consortium leader, without establishing separate entities. The Group recognises shares in such contracts as shares in joint operations in accordance with IFRS 11. Therefore, the Group does not recognise in profit or loss any such part of the revenues or costs related to such contracts as is attributable to the consortium members.

In the first half-year of 2020, the revenues attributable to the consortium members in relation to the contracts performed under the aforementioned consortia, which were not recognised in profit of loss of the Group, were PLN

38,706 thousand and the costs related thereto were PLN 40,033 thousand. In the comparable period, they were respectively PLN 56,559 thousand and PLN 58,574 thousand.

The Group's balance sheet as at June 30, 2020 does not include the trade receivables attributable to the consortium members in the amount of PLN 15,302 thousand (PLN 17,771 thousand as at December 31, 2019) or the trade liabilities attributable to the consortium members in the amount of PLN 16,382 thousand (PLN 19,206 thousand as at December 31, 2019).

42. Contingent and other off-balance-sheet items

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Contingent receivables		
From related entities due to:	**61 272**	**64 022**
Received guarantees and sureties	59 983	62 731
Bills of exchange received as collateral	1 288	1 291
Total contingent receivables	**61 272**	**64 022**
From related entities due to:		
From other entities due to:	**9 075 477**	**8 696 931**
Provided guarantees and sureties	947 145	899 060
Promissory notes	623 332	521 671
Mortgages	4 253 845	4 252 519
Assignment of receivables	1 554 039	1 429 992
Assignment of rights under insurance policy	227 438	120 137
Security deposits	18 025	21 900
Registered pledges	1 451 652	1 451 652
Total contingent liabilities	**9 075 477**	**8 696 931**

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 from the construction contracts performed (performance bonds, retention bonds and advance payment guarantees). Banks have a right of recourse against the Group members. Promissory notes are a different form of collateral for the aforementioned bank guarantees.

As at June 30, 2020, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 914 thousand (as compared to PLN 1,245 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 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. The contingent liabilities arising from employment contracts with employees were PLN 7,035 thousand as at June 30, 2020 (PLN 7,712 thousand as at December 31, 2019).

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 June 30, 2020 are sufficient to mitigate the recognised and measurable tax risk.

43. Significant events occurring in the first half of 2020 and subsequent to the end of the reporting period, which were not reflected in the financial statements for the first half of 2020

All significant events occurring in H1 2020 and after the reporting period were reflected in the Group's financial statements for the 6 months ended on June 30, 2020.

Below are presented significant events occurring in the first half of 2020.

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

Refinancing process	**CR**
The Management Board of Trakcja PRKiI S.A. informed that on April 30, 2020 The Management Board of Trakcja PRKiI S.A. it has signed the Terms of Issue of F Series Shares and G Series Shares convertible to D Series Bonds, with the total nominal value of PLN 27,647,487, which were previously approved by a resolution of the Company's Management Board. the Management Board of the Company agreed to submit a proposal to purchase Series F and Series G Bonds.	11/2020
The Management Board of Trakcja PRKiI S.A. informed that on May 7, 2020 the Company signed an annex to the unified Agreement Between Creditors of 13 June 2019 as further amended ("Agreement Between Creditors") with the Company's subsidiaries and financing entities. Pursuant to the Annex to the Agreement Between Creditors, the company Trakcja Ukraina spółka z ograniczoną odpowiedzialnością – the Company's subsidiary – became a party to the Agreement Between Creditors; additionally, amendments were introduced to the Agreement to account for the rules of cooperation between the parties in connection with the planned issue of bonds convertible to the Company's shares.	13/2020
The Management Board of Trakcja PRKiI S.A. informed that on 8 May 2020 a resolution was adopted on assigning all 11 764 705 secured F series registered bonds, convertible to the Company's D series shares, with the nominal value of PLN 1.70 each and with the total value of PLN 19,999,998.50 to Agencja Rozwoju Przemysłu S.A. and assigning all 4 514 405 unsecured G series registered bonds convertible to the Company's D series shares, with the nominal value of PLN 1.70 each and with the total nominal value of PLN 7,674,488.50 to COMSA S.A.U based in Barcelona.	14/2020
On May 8, 2020 the Company received a notification pursuant to Article 19.1 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (MAR), presented by Comsa S.A.U. based in Barcelona as a person closely related with Fernando Perea Samarra, Miquel Llevat Vallespinosa and Jorge Miarnau Montserrat - members of the Company's Supervisory Board.	15/2020
On May 8, 2020 the Management Board of Trakcja PRKiI S.A. informed that it was presented by COMSA S.A.U. with a notification delivered pursuant to Article 69b of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, in connection with COMSA's subscription of the G series.	16/2020
On May 11, 2020 the Management Board of Trakcja PRKiI S.A. informed that it was presented by Agencja Rozwoju Przemysłu S.A. with a notification delivered pursuant to Article 69b of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, in connection with ARP's subscription of the F series.	18/2020

Other	CR
10.01.2020 The Company made public dates of publication of periodic reports in 2020.	1/2020
14.01.2020 The Company made public the content of resolutions adopted by the Ordinary General Meeting of the Company, which was held on January 14, 2020.	2/2020
14.01.2020 The Company forwarded a list of shareholders holding at least 5% of the total number of votes at the Ordinary General Meeting of the Company, which was held on 14 January 2020 in Warsaw.	3/2020
10.02.2020 The Management Board of Trakcja PRKiI S.A. informed that the District Court for the Capital City of Warsaw in Warsaw, 12th Business Division of the National Court Register (”Court”) has registered the conditional increase of the Company’s share capital as well as changes to the Company’s Articles of Association.	4/2020
24.02.2020 The Management Board of Trakcja PRKiI S.A. informed about change of Company's address	5/2020
27.02.2020 The Company published the preliminary estimated financial results for the period of 12 months ended on 31 December 2019.	6/2020
17.03.2020 In connection with the recommendations of the Polish Financial Supervision Authority and own analysis, the Management Board of Trakcja PRKiI S.A. informed that the rapid spread of the SARS CoV-2 virus in Poland and on other markets where the Company and its subsidiaries conducts business may affect the Company’s and the Group’s financial situation.	7/2020
18.03.2020 The Company has decided to recognize write-off of the value of investments in subsidiaries in Trakcja PRKiI’s balance sheet in the amount of PLN 114.187 thousand and the value of goodwill in Trakcja Group’s consolidated balance sheet in the amount of PLN 138.182 thousand.	8/2020
06.04.2020 The Company informed that in account of the existing COVID-19 epidemic in Poland and worldwide, aiming at reducing the negative impact of the present situation on the Company’s operations and results.	9/2020
22.04.2020 The Management Board of Trakcja PRKiI S.A. announces the adjustment of the published 2019 Annual Report of Trakcja PRKiI S.A. and the Trakcja Group’s published 2019 Consolidated Annual Report.	10/2020
03.06. 2020 Management Board of Trakcja PRKiI S.A. informed on convening the General Meeting of Shareholders The Management Board of Trakcja PRKiI S.A. as at 30.06.2020	19/2020
The Management Board of Trakcja PRKiI S.A. informed that on 8 June 2020 they have received a request to include the following items to the agenda of the Company’ General meeting, from the Shareholder, Otwarty Fundusz Emerytalny PZU “Złota Jesień”, represented by Powszechne Towarzystwo Emerytalne PZU Spółka Akcyjna that it has received a request to put specific matters on the agenda of the next Annual General Meeting of the Company convened for June 30, 2020.	21/2020
30.06.2020 The Management Board of Trakcja PRKiI S.A. announces the resolutions undertaken by the Company’s Ordinary Shareholders Meeting, which was held on 30 June 2020.	22/2020
30.06.2020 The Management Board of PRKiI S.A. in Warsaw presented in Appendix 1 to this report a list of shareholders holding at least 5% of the total number of voting rights at the Ordinary General Meeting held on 30 June 2020 in Warsaw.	23/2020

Events subsequent to the end of the reporting period, which are not reflected in the financial statements for the first half-year of 2020, are presented below.

Refinancing process	CR
The Management Board of Trakcja S.A. in reference to the current report no. 14/2020 of 8 May 2020, informed that on 5 August 2020 the Company received consent of the bondholder, Agencja Rozwoju Przemysłu S.A., to amend the Terms and Conditions of the Issue of F-Series Bonds (exchangeable to D-Series Shares); simultaneously, Annex no 1 to the Terms and Conditions of the Issue of F-Series Bonds was signed in regard to the amendment of the interest payment date. The new interest payment date (interest period) shall be 3 months.	25/2020

Other	CR
The Management Board of Trakcja S.A. informed that the Company was notified that on 29 July 2020 the District Court for the Capital City of Warsaw in Warsaw, 12th Business Division of the National Court Register, has registered the amendment to the Statute, adopted pursuant to resolution no. 25 of the Ordinary Shareholders Meeting of Trakcja PRKiI S.A. of 30 June 2020 on the change of the Company's name from "Trakcja PRKiI Spółka Akcyjna" to "Trakcja Spółka Akcyjna".	24/2020

44. Cyclicality and seasonality of operations

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 second and third quarters and the lowest in the first quarter.

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

In the first half of 2020, the Group did not change the classification of financial assets as a result of a change in their purpose or use.

46. Information on dividends paid or declared

In the first half-year of 2020, Trakcja S.A. did not pay any dividends.

On June 30, 2020 the Company's Annual General Meeting adopted a resolution, according to which the Company's loss for 2019 in the amount of PLN 249,678,732.87 will be covered from the supplementary capital of the Parent Company, including:

- in the amount of PLN 178,758,684.16 from the part of the supplementary capital create from profits carried forward;
- in the amount of PLN 70,920,048.71 from the part of the supplementary capital created from share premium.

47. 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 20 November 2012 to the bankruptcy court. The submission covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the declaration of bankruptcy, as well as the accrued contractual penalties.

To the Parent Company's best knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja S.A. were recognised in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 for unpaid invoices and PLN 294,632.29 for interest on late payment. The Company's receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were dismissed. The Parent Company did not agree with that dismissal; therefore, an

objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the Parent Company filed a complaint which was overruled. On 8 June 2015, the Parent Company received a notice from the trustee in bankruptcy on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

Case against Leonhard Weiss International GmbH

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

The case against Leonhard Weiss International GmbH ("LWI") for payment due under the sale agreement of 50 % of shares in Bahn Technik Wrocław Sp. z o.o. The Parent Company has responded to the lawsuit. At present, it is not possible to precisely indicate the expected date of completion of the case. The 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 17 November 2017 to the payment date,
2) on PLN 12,756,000.00 from 8 December 2017 to the payment date,
3) on PLN 295,495.00 from 8 December 2017 to the payment date.

The Parent Company requested also that the defendant reimburse the Company with the costs of the proceedings, including the costs of legal representation, in accordance with the cost records. At this stage, it is impossible to objectively at least estimate the amount of interest and costs of the proceedings which could be ordered to be paid for the benefit of the Company.

Case against ELTRANS sp. z o.o.

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

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

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

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

On May 22, 2019 the Company filed a lawsuit against ALSTAL Grupa Budowlana sp. z o.o. based in Jacewo for the payment of PLN 556,683.00 plus interest as the payment of remuneration for construction works performed as a contractor within the scope of the project ordered by Tauron Dystrybucja S.A. entitled "Network Management Development in Wrocław".

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

Proceedings against PKP PLK S.A.

On 31 October 2017, the Parent Company filed a case against PKP PLK S.A. for the payment of PLN 46,747,276.90 (including, interest of PLN 4,913,969.34), requesting that compensation be paid to it in connection with extension of the completion date of the agreement entitled: "Design and completion of construction works on the railway line Kraków – Medyka – State border, at the section Podłęże – Bochnia, km 16.000 – 39.000 as part of the project "Modernisation of railway line E 30/C-E30, section Kraków – Rzeszów, phase III" and a part of the lump-sum fee due to the Parent Company and unpaid by PKP PLK S.A. due to the submission of an unjustified statement on the withdrawal from the Agreement in part. On 12 December 2017, the Parent Company extended the claim whose current value is PLN 50,517,012.38 (including, interest of PLN 5,336,177.01). The extension pertained to the Parent Company's claims against PKP PLK S.A. in relation to the groundless enforcement of the contractual penalties accrued and the part of

remuneration for the performance of the contract and agreements for additional works, which PKP PLK S.A. unreasonably refuses to pay. On October 18, 2018, the Parent Company extended the claim to PLN 51,767,012.38. The damage of the Parent Company includes PLN 1,250,000.00, which the Parent Company was obliged to pay to the Bocheński Poviat in order to satisfy the request of PKP PLK S.A. concerning the earlier – than it resulted from the Work Schedule – launching of track 1 on the Bochnia route - Brzesko Okocim. On 6 May 2019, the Parent Company extended the claim to PLN 84,121,127. The Parent Company extended the scope of the claims pursued also by the claims for damages against PKP PLK S.A., including tort claims of its subcontractors: Arcadis sp. z o.o., Torpol S.A. and PUT Intercor sp. z o.o. The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

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

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

On 27 August 2018, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 6,675,193.36 PLN (in words: six million six hundred seventy five thousand one hundred ninety three zlotys and thirty six groszy) along with statutory interest for delay, as compensation for unjust enrichment of the defendant in the form of unpaid remuneration for the performance of additional works related to the implementation of Agreement No 90/132/121/00/17000031/10/I/I of 16 December 2010 for "Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section in km 111,500 - 133,600 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2 "specified in the Contractor's Applications No. 72 (gas pipeline) and No. 85 (Bystrzyca creek), which constitutes the principal amount of the present claim, i.e. PLN 6,283,547.59 and capitalized interest on the principal for the period from 6 October 2017 to 27 August 2018.The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 22 October 2018, the Company filed a lawsuit for payment against PKP PLK S.A., seeking the amount of PLN 632,459.66 (in words: six hundred thirty-two thousand four hundred fifty-nine zlotys and sixty-six grosz) along with statutory interest for delay, for additional works not provided for in the Agreement No 90/107/0086/17/Z/I of 14 March 2017 for the preparation of design documentation and performance of construction works on the Poznań Wschód - Mogilno section from km 0.265 to km 73.000, as a part of the project: "Works on the railway line No 353 Poznań Wschód-Dziarnowo", i.e. works on the construction of additional access ways to platforms at the Wydartowo station, additional suspension of the overhead contact line on the Wydartowo - Trzemeszno route and preparation of

maps for design purposes, as well as incurring additional costs related to the unpredictable increase in prices of services provided by PKP Energetyka on the overhead contact line. On 12 July 2019, the Company extended the claim to PLN 14,601,921.80, i.e. by the value of additional performances provided to PKP PLK S.A. The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

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

On 3 April 2019, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 1,320,495.25 PLN (in words: one million three hundred twenty thousand four hundred ninety-five zloty and twenty-five grosz) along with statutory interest for delay, as:

a) reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0090/15/Z/I for Construction of civil engineering structures on km 160.857; km 155.170 and km 145.650 of railway line No 271 Wrocław – Poznań, as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempiń–Poznań section" – as regards the Partial Contract A – railway viaduct on km 145.650 in Mosina, due to circumstances within the scope of responsibility of PKP PLK S.A.,
b) reimbursement for the costs of additional works performed by the Company, not provided for in the Contractor's Bid for the contract in question.

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

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

On 13 June 2019, the Parent Company filed a suit against PKP PLK S.A. with the motion requesting security for the Parent Company's claim, the subject of which being stipulating the contents of the Parent Company's contractual obligations under agreements No. 90/132/121/00/17000031/10/I/I of 16 December 2010 on "Design and performance of construction works on the railway line Krakow – Medyka – state border on the section Dębica – Sędziszów Małopolski, in km 111,500–133,600 under the OPIE project 7.1-30 "Modernisation of the railway line E30/C-E 30, on the section Krakow–Rzeszów, Stage III" Tender 2.2 and No. 90/132/336/00/17000031/10/I/I of 29 November 2010 on

"Design and performance of construction works on the railway line Krakow – Medyka – state border on the section Sędziszów Małopolski – Rzeszów Zachodni under the project "Modernisation of the railway line E3-/C-E 30, on the section Krakow – Rzeszów, stage III" Tender 2.3. Disputable circumstances in the case comprise the necessity of issuing the declaration of compliance of the fixtures or constructions with the type in compliance with the Act on Railway Transport, as well as the correctness of the design and performance of noise barriers. The amount claimed by the plaintiff is PLN 12,301,072.

In the above proceedings, the parties (Trakcja S.A and PKP PLK S.A.) submitted joint applications for a referral to mediation.

On August 5, 2020, the first organizational meeting took place, attended by representatives of the parties, the Mediator, and the Head of the PGRP's Arbitration Court Division. At the meeting, the parties agreed on a schedule of activities to be taken, including submission of materials concerning court proceedings with the reservation that each Party presents its own materials. In addition, information was submitted on claimed liabilities, and a short description of the factual and legal state of existing disputes. Trakcja S.A. and PKP PLK S.A. Agreed the dates of individual meetings with the Mediator: August 27 and 28, 2020. The dates of joint meetings have not been agreed as at the date of publication of this report.

In H1 2020, the Management Board of the Dominating Entity undertook negotiations with PKP PLK to amicably settle court disputes. As at the date of this semi-annual 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 Parent Company along with consortium partners and subcontractors is conducting negotiations with PKP PLK with the participation of the Solicitor's Office of the Republic of Poland at the Arbitration Court in the amount of PLN 139.2 million. (gross amount including interest capitalized as at the date of filing the suit); the amount due to Trakcja is at approximately PLN 106.9 million.

Proceedings concerning subsidiaries:

AB Kauno Tiltai

The investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which a subsidiary, AB Kauno Tiltai, is a member, for a total amount of PLN 66,943,358.57 (EUR 14,989,556.33). Pursuant to a decision of the court, this amount was reduced to PLN 4,742,941 (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.

48. Transactions with related entities

Intragroup transactions are made at arm's length. These transactions are excluded from the condensed consolidated financial statements.

The total amounts of transactions made between the related entities in the period covered by the condensed consolidated financial statements and in the comparable period are presented below.

Related entities	Financial year	Sale to related entities	Purchases from related entities	Przychody finansowe	Koszty finansowe
Akcjonariusze Jednostki dominującej:					
COMSA S.A.	1.01.2020 - 30.06.2020	-	-	-	277
	1.01.2019 - 30.06.2019	169	753	-	-
Agencja Rozwoju Przemysłu S.A.	1.01.2020 - 30.06.2020	-	-	-	805
	1.01.2019 - 30.06.2019	-	-	-	-
Total	**1.01.2020 - 30.06.2020**	**-**	**-**	**-**	**1 081**
	1.01.2019 - 30.06.2019	**169**	**753**	**-**	**-**

Please also find below information on receivables from and liabilities towards the related entities as at balance sheet date and as at the end of the comparable period.

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities	Borrowings received	Zobowiązania z tytułu obligacji
Shareholders of parent company:					
COMSA S.A.	30.06.2020	99	85	242	7 660
	31.12.2019	-	188	7 656	-
Agencja Rozwoju Przemysłu S.A.	30.06.2020	-	184	27 648	19 962
	31.12.2019	-	184	27 668	-
Total	**30.06.2020**	**99**	**269**	**27 890**	**27 622**
	31.12.2019	**-**	**372**	**35 324**	**-**

49. Remuneration of the Parent Company's Management Board and Supervisory Board members

The Management Board of the Parent Company is the key management of the Group.

The remuneration of the Parent Company's Management Board and Supervisory Board has been presented in the tables below.

In addition, on June 30, 2020, the "Remuneration Policy for the Members of the Management Board and Supervisory Board" was adopted pursuant to the resolution no. 28 of the Ordinary General Meeting of Trakcja.

	Period ended			
	30.06.2020 *Unaudited*		**30.06.2019** *Unaudited*	
Salary of Management Board	**In Parent company**	**In subsidiaries**	**In Parent company**	**In subsidiaries**
Salaries and other current employee benefits	1 666	248	1 666	248
Post-employment benefits	589	-	589	-
Benefits due to termination of employment	273	-	273	-
Total	**2 528**	**248**	**2 528**	**248**

	Period ended			
	30.06.2020 *Unaudited*		**30.06.2019** *Unaudited*	
Salary of Supervisory Board	**In Parent company**	**In subsidiaries**	**In Parent company**	**In subsidiaries**
Salaries and other current employee benefits	516	386	516	386
Total	**516**	**386**	**516**	**386**

50. 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

In connection with Note 10 of the annual report of the Trakcja Compny for the 12 months ended on December 31, 2019, and Note 62 consolidated annaul of the Trakcja Group for the 12 months ended on December 31, 2019 the Company's Management Board presents the update regarding the issues described in the above note to the financial statements

Going concern

These financial statements for the six-month period ended June 30, 2020 were prepared based on the going concern assumption and, therefore, do not contain any adjustments in respect of different policies for the recognition and measurement of assets and liabilities that would be required if the going concern assumption was unjustified.

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

Risk to the going concern status

In the period of 6 months ended on June 30, 2020, the Company recorded net loss of PLN 23,017 thousand, and the net negative working capital amounted to PLN 50,654 thousand.

As at June 30, 2020, the Company's financial liabilities due to credits, lease and bonds amounted to a total of PLN 412,657 thousand (long-term part PLN 335,503 thousand, short term part PLN 77,154 thousand).

As at June 30, 2020, trade liabilities were at PLN 266,518 thousand, including outdated at PLN 94,718 thousand, which the Company pays from current inflows to a possible extent.

In connection with the above factors, there is a risk of a threat to going concern.

General situation of the Company and action undertaken

The Company recorded the following results for the 6 months ended on June 30, 2020:

- gross result on sales: PLN 1,282 thousand (H1 2019: PLN 426 thousand)
- EBITDA: PLN -8,097 thousand (H1 2019: PLN -10,868 thousand)
- net result: PLN -23,017 thousand (H1 2019: PLN -18,906 thousand)
- equity: PLN 327,045 thousand (as at December 31, 2019: PLN 349,925 thousand)

Factors that had most significant effect on sales and the results of H1 2020 is that, characteristic for entities in the building industry, which is linked with a substantially lower level of revenues in the first half and generating a significant amount of sales revenues in the second half of a calendar year.

The current contract portfolio in comparison to June 30, 2020 amounted to PLN 2,116 milion in the period 01.01.2020 – 30.06.2020, the Company signed agreements with the total value of above PLN 59,2 million net.

In H1 2020, the Management Board of the Dominating Entity undertook negotiations with PKP PLK to amicably settle court disputes. As at the date of this semi-annual 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, along with consortium partners and subcontractors, is conducting negotiations with PKP PLK with the participation of the General Prosecutor's Office of the Arbitration Court of the Republic of Poland concerning the amount of PLN 139.2 million (gross amount, along with interest capitalized as at the date of filing the suit), whereas the amount due to Trakcja is approximately PLN 106.9 million.

The value of other contractual claims sought out of court by the Company along with consortium partners and subcontractors amounts to PLN 233.3 million, whereas the amount due to Trakcja is approximately PLN 197.4 million. At this stage, the Management Board of the Parent Company is not able to define the end date of negotiations or their effect on the financial result

New contracts won

The Parent Company continues to actively participate in tender procedures for the railway and road construction markets, currently characterised by a smaller number of participants. Increased pressure from competitors results from saturation of the market with projects in relation to the contracting potential of construction companies in Poland. The current market trend shows that bids from contractors that significantly exceed investor budgets are more and more frequently accepted by contracting authorities.

In the first half of 2020, the Parent Company signed the following significant contracts:

a) on April 2, 2020, the subsidiary, Trakcja, signed a contract for "Upgrade of the 110/15/6 kV Central Station in Łódź" (the subsidiary's share – PLN 18.9 million, net);
b) on May 7, 2020, Trakcja signed a contract for "Construction of B. Chrobry bridges within the provincial road No 455 in Wrocław", as announced in detail in current report No 17/2020 (the Company's share – PLN 56.7 million, net);

Active policy on liquidity management of the Parent Company

In addition to activities that contribute to the improvement of future financial performance, the Parent Company's Management Board is also focused on the Company's liquidity situation. The Parent Company pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long-term perspective (including a weekly monitoring of cash flows), aiming at maintaining a stable level of available financing. In order to maintain liquidity, the Parent Company undertakes actions aimed at winning contracts which provide for advance payments. In addition, the Parent Company pursues an active policy of maintaining a low level of receivables, managing inventories and selling key materials to the ordering party at the initial stage of a contract. It also is in the process of negotiations with subcontractors to extend payment terms. The Parent Company places great emphasis on optimising the invoicing processes by shortening the period between the completion of works and their invoicing.

As at June 30, 2020, the Parent Company held cash and cash equivalents in the amount of PLN 16,174 thousand and unused credit lines in the amount of PLN 4,321 thousand.

As at the day preceding the preparation of these financial statements, the company held cash in the amount of PLN 6,629 thousand and unused credit lines in the amount of PLN 1,201 thousand.

In accordance with the provisions of long-term financing agreements, as at March 31, 2020, the Company together with a financial advisor (Ipopema Financial Advisory Sp. z o.o.) approved by financial institutions revised the financial model for the Trakcja Group's operations in the period 2020–2023. As a result of the aforesaid revision, a financial gap was identified with respect to the Parent Company in the amount of PLN 89 million, assuming raising funds by means of financial instruments. The Management Board believes that the estimated financing gap should be covered by additional funding and proceeds from claims from contracting authorities.

New financing sources

During the first half of 2020:

1. The Parent Company continued to issue financial instruments under the credit agreements signed.

2. The subsidiary, BTW Sp. z. o.o., concluded a leaseback agreement concerning specialist machines owned by the company, as a result of which it received cash in the amount of PLN 15,000 thousand. BTW extended a loan of PLN 11,000 thousand to the Parent Company.

3. On May 7, 2020, an annex to the consolidated intercreditor agreement of June 13, 2019, as amended ("Intercreditor Agreement") was concluded between the Company, its subsidiaries and financial institutions. Under the Annex to the Intercreditor Agreement, the subsidiary, Trakcja Ukraina sp. z o.o., acceded the Intercreditor Agreement as a party and, in addition, amendments were introduced to the wording of the agreement in order to adapt the terms of cooperation between the parties in connection with the planned issue of bonds convertible into the Company's shares, which were acquired by COMSA S.A.U. ("COMSA Convertible Bonds"). Pursuant to the Annex to the Intercreditor Agreement, COMSA's receivables under the Convertible Bonds have been subordinated to the repayment of financial claims resulting in particular from the existing financing of the Company and cannot be repaid before full, final and unconditional repayment of all such claims, expiry of the obligations of all creditors who are parties to the Intercreditor Agreement to provide funds or issue guarantees on the basis of relevant financing documents and expiry of all guarantees issued on the basis of relevant financing documents. At the same time, the parties agreed that the COMSA Convertible Bonds may, without the consent of the creditors, be converted into shares of the Company, irrespective of their subordination, on the terms and conditions indicated in the Terms and Conditions of Issue of COMSA Convertible Bonds. Apart from the above amendments, no material provisions of the Intercreditor Agreement have been amended.

4. On May 8, 2020, the Parent Company issued 1,764,705 Series F registered bonds convertible into the Series D shares of the Company with a par value of PLN 1.70 per share and the total par value of PLN 19,999,998.50 ("Series F bonds") and 4,514,405 Series G registered bonds convertible into the Series D shares of the Company with a par value of PLN 1.70 per share and the total par value of PLN 7,674,488.50 ("Series G bonds").

On May 8, 2020 the Company's Management Board adopted a resolution to allot:

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

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

All Series F Bonds were paid for by bank transfer to the bank account of the Parent Company. The amount due from Comsa as a result of accepting the offer to purchase Series G Bonds was set off against Comsa's claim resulting from the loan granted to the Parent Company.

For more information on the Series F and G Bonds, see Section 23 of the Additional notes and explanations to the condensed consolidated financial statements.

5. The Company expects to receive an advance payment of PLN 24,498 thousand for the contract: “Reconstruction of track system together with auxiliary infrastructure at the E59 railway line, Choszczno–Stargard section as part of the project ‘Works on the E59 railway line, Choszczno - Stargard section’”. Receipt of the advance payment is currently being processed with the Contracting Authority.

6. During H1 2020, Group companies received financing of PLN 3.4 million as public aid in the form of a reimbursable loan from the Polish Development Fund [Polski Fundusz Rozwoju S.A.]:

- Bahn Technik Wrocław Sp. z o.o. – PLN 1.4 million;
- Torprojekt Sp. z o.o. PLN 1.1 million;
- Dalba Sp. z o.o. PLN 0.9 million.

7. In addition, in H1 2020, in their comprehensive income statement Trakcja S.A. Included dividends from subsidiaries in the amount of PLN 2,042 thousand, the payment of which will be set off against loans granted to Trakcja by these subsidiaries.

Measures taken by the Company after the balance sheet date

1. In connection with the signing of the long-term financing documentation, the Company also undertook to meet a number of follow-up conditions which include, among other things, ensuring that the collateral documents are registered, establishing additional collateral and implementing a recovery plan.

   As from the publication date of the report, the Company has completed stage 1 and commence stage 2 of the Recovery Plan for the years 2020-21. The Recovery Plan foresees numerous activities undertaken by the Company (51 new initiatives) aiming at, amongst others, obtaining financial benefits by the Company, improvement of internal procedures, optimization of the internal structure. In addition, according to the financial documentation, the Company provides mBank S.A. (facility agent) with a report of the Management Board on the implementation of the Recovery Plan, which is additionally verified by the financial advisor.

2. The Company is in the process of selling its non-operational assets. The Company plans to sell further non-operational assets, including real estate at Oliwska Street in Warsaw for the price of PLN 17,500 thousand. The Company assumes the receipt of an advance payment for the sale of real estate at Oliwska Street in Warsaw. The advance payment is to amount to PLN 3.5 million, which represents 20% of the expected sales price. The closing date of the transaction, at the request of the counterparty, has been postponed for reasons related to the current COVID-19 pandemic. The Company assumes that the transaction will be completed in 2020.

3. The Company expects the finalisation of the real estate sale transaction at ul. Lotnicza 100 in Wrocław, which should take place at the turn of the second and third quarter of 2020, however, the Management Board of the Parent Company takes into account the fact that as a result of the SARS CoV-2 epidemic, the completion of the transaction may be postponed in time.

The Company's Management Board is of the opinion that the analyses carried out and the steps taken neutralise liquidity risk in a satisfactory manner. In the Company's opinion, the measures taken will make it possible to secure the financing of its operations and prepare the Company to execute projects on a larger scale.

The current development of the SARS CoV-2 pandemic has no influence on the Company’s going concern in the foreseeable future. Further development of pandemic-related events is currently difficult to foresee and may adversely affect the Company’s operations, timeliness of works, and costs incurred.

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.

Long-term financing agreement i.e. "Joint Terms Agreement" executed on September 27, 2019, as informed by the Company in the current report no. 51/2019, imposes an obligation for the Company to achieve and maintain defined financial indicators (hereafter "Covenants") at the Company or Group level. The agreement foresees that the first verification of fulfilment of Covenants by the Company and by the Group will take place on September 30, 2020. Covenants will be calculated based on the data for the last 12 months. According to the Company's Management Board, as at the publication date of the report a (high) risk exists that contractual financial indicators will not be achieved.

On September 10, 2020, the Parent Entity requested the financing entities to amend the deadlines for verification of Covenants. Pursuant to the long-term financing agreement, the Company is required to immediately inform the cooperation agent ("Agent") upon becoming aware that Covenants will not be met (which may occur upon the initial calculation of the Company's and Group's results for the 3 quarters of 2020, and the initial calculation of financial indicators defined in the long-term financing agreement). The Agent may undertake, or be obliged to undertake - on request of the majority of financing entities i.e. entities, the exposure of which constitutes at least 50.1% of the total exposure of all financing entities at the time - defined activities, such as make all used funds payable on demand, or make the debt due and payable maintaining the deadlines provided for in the agreement. The Company is in regular contact with the Agent and with financing entities, which are regularly informed (at least once a month) about the progress in the execution of the Recovery Plan (management reports on the execution of the Recovery Plan are verified by an advisor).

Until the date of this report the Company has not received a response to the submitted request to amend the deadlines for the verification of Covenants.

Risk of failure of steps taken

The Company's Management Board has prepared the financial statements on the assumption that the Company will continue as a going concern in the period of at least 12 months from the date of approval of these statements for publication. The going concern status of the Company depends on successful implementation of the process of covering the financial gap. Any failure to achieve the expected effects of steps taken with respect to additional financing and negotiation of claims may pose a threat to the Parent Company's ability to continue as a going concern. In addition, future deterioration in liquidity could potentially be affected by factors such as: postponement of the dates for raising cash on account of advances, claims and negative events resulting from the COVID-19 pandemic.

Taking into account possible negative or unforeseen effects of the events described in this section, as well as possible postponement of activities ensuring sufficient financing of the Company's operations, the Company may take additional steps, involving:

1. Entering into negotiations with the Company's creditors regarding the restructuring of debt together with the simultaneous implementation of measures permitted by the applicable laws to protect the Company and the interests of creditors and shareholders.

2. Carrying out operational restructuring consisting in the disposal of assets not used in the core business, including shares in subsidiaries, property, plant and equipment.

3. Reducing the scale of the Company's operations.

Warsaw, September 16, 2020

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

Robert Sobków
Member of the Management Board

Adam Stolarz
Member of the Management Board

Person responsible for preparing the report:

Katarzyna Kocerka
Financial Reporting Director
Trakcja Group

TRAKCJA

TRAKCJA S.A.

CONDENSED FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2020

PREPARED IN ACCORDANCE WITH

THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 (Journal of Laws of 2018, item 757).

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

APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The Management Board of Trakcja S.A. has approved the condensed financial statements of Trakcja S.A. for the period from January 1, 2020 to June 30, 2020.

The condensed financial statements for the period from January 1, 2020 to June 30, 2020 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union.

Information included herein is presented in the following sequence:

1. Income statement for the period from January 1, 2020 to June 30, 2020, which shows a net loss of PLN **23,017** thousand.
2. Statement of comprehensive income for the period from January 1, 2020 to June 30, 2020, which shows the negative total comprehensive income of PLN **23,058** thousand.
3. Balance sheet as at June 30, 2020, which shows the total assets and total equity and liabilities of PLN **1,192,009** thousand.
4. Statement of cash flows for the period from January 1, 2020 to June 30, 2020, which shows a decrease in the total net cash flows by PLN **31,340** thousand.
5. Statement of changes in equity for the period from January 1, 2020 to June 30, 2020, which shows a decrease in the equity by PLN **22,880** thousand.
6. Selected explanatory notes.

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

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

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Arkadiusz Arciszewski

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Robert Sobków

Member of the Management Board

Adam Stolarz

Member of the Management Board

Warsaw, September 16, 2019

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INCOME STATEMENT

	Note	1.01.2020 - 30.06.2020 *Unaudited*	1.01.2019 - 30.06.2019 *Unaudited*
Continued operations			
Sales revenue	5	315 775	423 451
Cost of goods sold	6	(314 493)	(423 025)
Gross profit (loss) on sales		**1 282**	**426**
Cost of sales, marketing and distribution	6	(826)	(1 139)
General and administrative costs	6	(18 577)	(17 316)
Other operating revenues	7	3 390	1 025
Other operating costs	8	(3 399)	(3 839)
Operating profit (loss)		**(18 130)**	**(20 843)**
Financial revenues	9	2 539	4 757
Financial costs	10	(11 162)	(7 245)
Gross profit (loss)		**(26 753)**	**(23 331)**
Income tax		3 736	4 425
Net profit (loss) from continued operations		**(23 017)**	**(18 906)**
Net profit for the period		**(23 017)**	**(18 906)**
Profit per share attributable to shareholders in the period (PLN per share)	12		
- basic		(0,27)	(0,37)
- diluted		(0,27)	(0,37)

STATEMENT OF COMPREHENSIVE INCOME

	Note	1.01.2020 - 30.06.2020 *Unaudited*	1.01.2019 - 30.06.2019 *Unaudited*
Net profit for the period		**(23 017)**	**(18 906)**
Other comprehensive income:			
Other comprehensive net income that will be reclassified to profit or loss:		**(41)**	**9**
Foreign exchange differences on translation of foreign operations	11	(41)	9
Total other comprehensive income		**(41)**	**9**
Total comprehensive income for the period		**(23 058)**	**(18 897)**

BALANCE SHEET

	Note	30.06.2020 *Unaudited*	31.12.2019 *Audited*
ASSETS			
Non-current assets		**616 550**	**614 028**
Tangible non-current assets	13	166 200	167 605
Intangible assets	13	50 920	50 510
Investment properties	16	19 773	19 789
Investments in subsidiaries	14	311 308	311 308
Other financial assets		8 410	8 340
Deferred tax assets		54 895	51 162
Accruals		5 044	5 314
Current assets		**575 459**	**614 433**
Inventory	18	62 699	64 720
Trade and other receivables	19	295 061	297 327
Other financial assets		11 400	11 777
Cash and cash equivalents	20	16 174	47 514
Accruals		11 116	12 813
Contracts with customers assets	17	173 972	175 245
Assets held for sale		5 037	5 037
TOTAL ASSETS		**1 192 009**	**1 228 461**
Equity and liabilities			
Equity		**327 045**	**349 925**
Share capital	21	69 161	69 161
Share premium account		-	340 561
Revaluation reserve		7 082	7 082
Other capital reserves		273 884	182 823
Retained earnings		(23 017)	(249 678)
Foreign exchange differences on translation of foreign operations		(65)	(24)
Total equity		**327 045**	**349 925**
Long-term liabilities		**339 641**	**204 242**
Interest-bearing loans and borrowings	22	307 965	199 909
Provisions	25	2 956	3 102
Liabilities due to employee benefits		1 182	1 231
Bonds		27 538	-
Short-term liabilities		**525 323**	**674 294**
Interest-bearing loans and borrowings	22	77 070	159 479
Bonds		84	-
Trade and other liabilities	24	266 518	293 598
Provisions	25	61 743	86 440
Liabilities due to employee benefits		8 904	7 867
Accruals		518	455
Contracts with customers liabilities	17	110 486	126 455
TOTAL EQUITY AND LIABILITIES		**1 192 009**	**1 228 461**

STATEMENT OF CASH FLOWS

	Note	1.01.2020 - 30.06.2020 *Unaudited*	1.01.2019 - 30.06.2019 *Unaudited*
Cash flows from operating activities			
Gross profit from continued operations		**(26 753)**	**(23 331)**
Adjustments for:		**(43 158)**	**(30 189)**
Depreciation		10 033	9 975
FX differences		882	(194)
Net interest and dividends		5 534	(448)
Profit on investment activities		(742)	(152)
Change in receivables		2 756	(10 643)
Change in inventory		2 021	(14 718)
Change in liabilities, excluding loans and borrowings		(26 333)	51 499
Change in prepayments and accruals		2 032	2 748
Change in provisions		(24 842)	(11 961)
Change in settlements from contracts		(14 696)	(56 546)
Other		197	257
Foreign exchange differences on translation of foreign operations		-	(6)
Net cash flows from operating activities		**(69 911)**	**(53 520)**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(596)	(418)
- acquisition		(3 017)	(866)
- sale		2 421	448
Loans		(200)	-
- repaid		(200)	-
Financial assets		621	1 695
- granted or acquired		809	3 971
- repaid		(188)	(2 276)
Net cash flows from investment activities		**(175)**	**1 276**
Cash flows from financial activities			
Net proceeds from bond issues		20 000	-
Proceeds on account of taken borrowings and loans		39 979	32 589
Repayment of borrowings and loans		(6 199)	(2 716)
Interests and commissions paid		(7 133)	(3 945)
Payment of liabilities under financial lease agreements		(7 901)	(7 497)
Net cash flows from financial activities		**38 746**	**18 431**
Total net cash flows		**(31 340)**	**(33 813)**
Cash at start of period		**47 514**	**61 451**
Cash at end of period	20	**16 174**	**27 639**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revalua-tion reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Share premium	Actuarial gains/ (losses)	Results from previous years			
As at 01.01.2020 Audited	**69 161**	**340 561**	**7 082**	**-**	**391**	**182 433**	**(24)**	**(249 679)**	**349 925**
Net profit for the period	-	-	-	-	-	-	-	(23 017)	(23 017)
Other comprehensive income	-	-	-	-	-	-	(41)	-	(41)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(41)**	**(23 017)**	**(23 058)**
Reclassification in accordance with the resolution of the General Meeting	-	(340 561)	-	340 561	-	-	-	-	-
Distribution of profit	-	-	-	(70 920)	-	(178 759)	-	249 679	-
Other changes	-	-	-	-	-	178	-	-	178
As at 30.06.2020 Unaudited	**69 161**	**-**	**7 082**	**269 641**	**391**	**3 852**	**(65)**	**(23 017)**	**327 045**
As at 01.01.2019 Audited	**41 120**	**309 984**	**5 808**	**-**	**391**	**269 117**	**(28)**	**(86 687)**	**539 705**
Net profit for the period	-	-	-	-	-	-	-	(18 906)	(18 906)
Other comprehensive income	-	-	-	-	-	-	9	-	9
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**(18 906)**	**(18 897)**
Distribution of profit	-	-	-	-	-	(86 687)	-	86 687	-
Other changes	-	-	1	-	-	-	-	-	1
As at 30.06.2019 Unaudited	**41 120**	**309 984**	**5 809**	**-**	**391**	**182 430**	**(19)**	**(18 906)**	**520 809**

	Share capital	Share premium	Revalua-tion reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2019 Audited	**41 120**	**309 984**	**5 808**	**391**	**269 117**	**(28)**	**(86 687)**	**539 705**
Net profit for the period	-	-	-	-	-	-	(249 678)	(249 678)
Other comprehensive income	-	-	1 273	-	-	4	-	1 277
Total comprehensive income	**-**	**-**	**1 273**	**-**	**-**	**4**	**(249 678)**	**(248 401)**
Distribution of profit	-	-	-	-	(86 687)	-	86 687	-
Issue of shares	28 041	30 577	-	-	-	-	-	58 618
Other changes	-	-	1	-	2	-	-	3
As at 31.12.2019 Audited	**69 161**	**340 561**	**7 082**	**391**	**182 432**	**(24)**	**(249 678)**	**349 925**

SELECTED EXPLANATORY NOTES

1. General information

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.

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 PRKiI Spółka Akcyjna" to "Trakcja Spółka Akcyjna".

The registered office of the Company is located at al. Jerozolimskie 100 in Warsaw. The term of the Company is unspecified.

According to the Articles of Association, Trakcja S.A. renders specialist construction and installation services within the scope of railway and tram lines electrification. The Company specialises in the following types of activity:

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

These condensed financial statements cover the period of 6 months ended June 30, 2020 and include comparative information for the period of 6 months ended June 30, 2019 and as at December 31, 2019.

These financial statements were approved for publication by the Management Board on September 16, 2020. The financial statements form part of the consolidated half-yearly report that contains also the condensed consolidated financial statements of Trakcja Group ('Group'), whose parent company is the Company.

The composition of Trakcja Group and other general information about the Company have been presented in Note 2 of the selected explanatory notes to the Group's condensed consolidated financial statements for the period of 6 months ended June 30, 2020.

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

2. Accounting principles and changes therein in the half-year concerned

2.1. Significant values based on professional judgment, estimates and assumptions

Significant values based on professional judgement and estimates are described in detail in Note 6 to the annual financial statements of Trakcja S.A. for 2019. In the 1st half of the year 2020, there have been no material changes to the accounting estimates, assumptions and professional judgement of the management subject to verification as on the balance sheet day of June 30, 2020.

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.

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 Company follows the professional judgement. The assumptions made for this purpose are presented in Note 46 of the Notes to the consolidated financial statements of Trakcja for 2019.

In the first half-year of 2020, the Company 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 Company's Management Board classifies property as tangible non-current assets or investment properties depending on their intended use by the Company.

Classification of joint contractual arrangements

The Company verifies whether it exercises joint control and determines the type of joint arrangement in which it is involved by considering its rights and obligations under a given arrangement and the structure and legal form of the arrangement, as well as the terms thereof agreed by the parties.

Control over related entities

The parent company exercises control over the 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 the year, the Parent Company did not take control of any significant entity.

Estimate uncertainty

Determining the timing of satisfaction of performance obligations

Sale of goods

In order to indicate the precise moment of transfer of control, the Company considers each time whether:

a. the Company has a present right to payment for the asset,

b. the customer has legal title to the asset,

c. the Company has transferred physical possession of the asset,

d. the customer has the significant risks and rewards of ownership of the asset,

e. the customer has accepted the asset.

The moment of the transfer of control is the same as the moment when the significant risk and rewards of ownership have been transferred. In the absence of specific terms and conditions between the parties (e.g. by means of Incoterms), the revenue from the sale is recognised at the moment of delivery to the customer, in which case the customer is in physical possession of the goods and thus the legal title is transferred.

Sale of construction services

Performance obligations related to the implementation of long-term construction contracts are satisfied over time in connection with the fact that the customer controls an asset which is created or enhanced by the entity throughout the implementation period. In the opinion of the Group, execution of construction work on land owned by the principal indicates that it controls the asset being created on an ongoing basis.

Determining the transaction price and the amounts allocated to performance obligations

Variable consideration

Agreements for long-term construction services specify variable remuneration which depends on the completion dates and achieved parameters, including penalties and bonuses that may have an effect on the initial amount of remuneration stipulated in the agreement. For the purpose of determining a transaction price, the Company assesses facts and circumstances that have an impact on the likelihood of occurrence of each scenario, including the obligation to pay a penalty or the right to receive a bonus. For agreements, for which the likelihood of a certain scenario is significantly higher than that of other scenarios, the amount of remuneration calculated for the scenario concerned shall be included in the transaction price determined.

Facts and circumstances determining the probability of occurrence of individual scenarios are reviewed at least at the end of each reporting period. Changes in the transaction price, if any, are recognised prospectively.

Significant financing component

The Company has decided to use the practical expedient and does not adjust the transaction price by the impact of a change in the time value of money in the case of contracts for which the Group expects, at contract inception, that the period between the moment when the Group transfers the good or service and the moment of payment will not exceed one year.

The transaction price of contracts for which the Company expects at contract inception that the period between the moment when the Company transfers goods or services and the moment of payment will be longer than one year is adjusted by a significant financing component. For advance payments, the Company recognises interest expense, whereas for payment terms longer than 12 months, the Company recognises interest income.

In order to estimate the significant financing component, it is necessary to determine the discount rate. The Company uses rates that would be reflected in a separate financing transaction between the entity and its customer at contract inception. In order to reflect the credit characteristics of the party that receives financing, various discount rates are applied to transactions in which the Company acts as the party that provides financing and the party that receives financing.

Discount rates are reviewed at least as at the date of preparation of the financial statements and are applied to contracts concluded after the date on which the rate was updated.

Separation of non-lease components

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

Defining the lease term

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

Useful lives of asset components due to usage rights

The estimated useful life of assets under usage rights is determined in the same way as in the case of property, plant and equipment.

Provisions for additional works

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The Company is obliged to grant warranty for its services. The provision for additional works depends on the segment in which the companies operate and is based on the Company'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.

Provisions for contractual penalties

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

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 June 3, 2017. 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 Company 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 Company's forecast. The Company's companies 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 Company'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 Company reviews the adopted economic useful lives using current estimates.

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.

Impairment of inventories

The Management Board assesses whether there are any premises indicating the possibility of impairment of inventories in accordance with note 8.8 of Additional information and explanations in the annual financial statements for the year ended December 31, 2019. Determining the impairment requires estimating the net value possible to obtain for inventories that have lost their useful or useful features. The change in the inventory revaluation write-down has been presented in Notes 18 and 29 of Additional information and explanations.

Expected credit loss and impairment of trade and other receivables

Pursuant to IFRS 9, the Company recognises a loss allowance for expected credit losses on trade and other receivables. For trade receivables, the Company applies a simplified approach for receivables analysed on a collective basis – for these receivables, an allowance for lifetime expected credit losses is calculated, regardless of the analysis of changes in credit risk. For other receivables and financial instruments held, the Company recognises an allowance for 12-month expected credit losses if the credit risk is low or has not increased significantly since initial recognition of receivables in the balance sheet and at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. The change in the impairment allowance for trade and other receivables is presented in Notes 18 and 22 of Additional information and explanations.

Fair value measurement and measurement procedures

Some assets and liabilities of the Company are measured at fair value for the purposes of financial reporting. The Company measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. Detailed information on items measured at fair value is presented in notes 26 and 27 of Additional information and explanations.

Information on valuation techniques and batch data used to measure the fair value of individual assets and liabilities is disclosed in notes 23, 40, 45 of Additional information and explanations to the annual separate financial statements of Trakcja S.A. for the financial year ended December 31, 2019.

2.2. Basis for preparing

The condensed financial statements were prepared according to the historical cost principle, except for the financial derivatives, investment property and available-for-sale financial assets which are measured at fair value.

The condensed financial statements are presented in Polish zlotys (“PLN”) and all amounts are expressed in thousands of Polish zlotys, unless stated otherwise.

The condensed financial statements are prepared on the assumption that the Company remains a going concern in the foreseeable future. As at the approval hereof, there are circumstances that could indicate that any threats exist to the Company as a going concern. Details are described in note 4.

The condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read together with the Company's report for the year ended on December 31, 2019.

The Polish zloty is the Company's measurement currency and the reporting currency in the condensed financial statements, whereas 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 the establishment in Ukraine.

2.3. Accounting principles

The condensed financial statements for the period from January 1, 2020 to June 30, 2020 are prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the relevant accounting standards applicable to interim financial reporting approved by the European Union. The presentation of the financial statements is based on IAS 34 "Interim financial reporting" with the same principles being applied for the current and comparable periods and with the comparable period being adjusted accordingly to the changes in the accounting and presentation principles adopted in the current period except for the changes described below.

The accounting principles adopted by the Company are described in detail in its annual financial statements for the financial year ended December 31, 2019, published on April 21, 2020 and in the condensed consolidated financial statements for the period of 6 months of 2020.

2.4. Effect of application of new accounting principles and changes to the accounting policy

In the period covered by the condensed financial statements for the first half of 2020, the following changes to the accounting principles and principles of drawing up financial statements have been introduced:

- **Amendments to IFRS 3 "Business Combinations"**

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

The purpose of the amendment was to specify the definition of business, and easier differentiation of acquisition of joint ventures from groups of assets for merger settlement purposes.

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

Amendments to IAS 1 and IAS 8 were published on October 31, 2018 and apply to annual periods beginning on or after January 1, 2020.

Their purpose was to further specify the definition of the term "material" for its easier practical application.

- **Reform of reference interest rates (reference rates) - Amendments to IFRS 9, IAS 39 and IFRS 7**

Amendments to IFRS 9, IAS 39 and IFRS 7 were published on September 26, 2019 and apply to annual periods beginning on or after January 1, 2020.

These amendments modify detailed hedge accounting requirements to minimize (eliminate) the potential effects of uncertainties related with the reform of reference (interbank) interest rates. In addition, entitles will be required to add disclosures concerning hedging relations, which are directly affected by reform-related uncertainties.

3. Description of factors and events exerting a significant impact on the financial performance in the first half-year of 2020

In H1 2020, Trakcja S.A. generated sales revenues at PLN 315,775 thousand, which dropped by 25.4% as compared to the corresponding period of the preceding year. The Company's cost of goods sold for the 6 months of 2020 amounted to PLN 314,493 thousand and decreased by 25.7% in relation to the comparable period. Gross profit on sales was at PLN 1,282 thousand and increased by PLN 856 thousand in relation to the the corresponding period of the previous year. In H1 2020, the gross profit margin was at 0.41% and decreased by 0.31 p.p. in comparison to the comparable period.

Factors with the largest influence on the gross profit margin on sales on H1 2020 included: the Company's difficulties with payments to subcontractors and suppliers of materials, which adversely affected the pace of execution of construction contracts, as well as clearing low-margin contracts obtained in previous years, which were more difficult

in terms of procurements, as well as a significant increase of the costs of production. The gross profit margin on sales in H1 2020 was higher by PLN 856 thousand in comparison to H1 of the preceding year, due to write-downs to receivables, executed in line with IFRS 9, being lower by PLN 2,271 thousand.

The influence of the general SARS – COV-2 pandemic situation on the level of revenues and gross margin on sales was insignificant.

The general and administrative costs were at PLN 18,577 thousand and increased by 7.3%, i.e. by PLN 1,261 thousand, in relation to the comparable period. The increase in costs resulted, amongst others, from a growth in actuarial provisions for pension benefits, jubilee awards and annual holidays in the amount of PLN 401 thousand.

The cost of sales, marketing and distribution amounted to PLN 826 thousand and decreased by PLN 313 thousand. The Company's other operating revenues were at PLN 3,390 thousand and increased by PLN 2,365 thousand as compared to the H1 2019. This growth was mainly caused by the revenues from patent fees in the amount of PLN 1,024 thousand as well as profit on sale of non-financial fixed assets amounting to PLN 493 thousand. Other operating costs reached PLN 3,399 thousand and decreased by PLN 440 thousand in comparison to H1 2019. The Company's operating loss for the 6 months 2020 amounted to PLN 18,130 thousand, in comparison with a loss of PLN 20,843 thousand in H1 2019.

The Company's financial revenues for the period from January 1 to June 30, 2020 reached PLN 2,539 thousand, dropping by PLN 2,218 in relation to the comparable period; this resulted from a recognition of revenues from dividends received from subsidiaries, which were lower by PLN 2,308 thousand in comparison to the corresponding period of the preceding year The Company's financial costs in H1 2020 increased by PLN 3,917 thousand and amounted to PLN 11,162 thousand. This growth was caused by an increase in the costs of interest on credits and loans by PLN 4,042 thousand, and the costs of financial commissions by PLN 527 thousand with a simultaneous decrease in interest on liabilities by PLN 1,158 thousand.

In the period analysed, the Company generated a gross loss of PLN 26,753 thousand. This result was lower by PLN 3,422 thousand in comparison with the corresponding period of the preceding year, when the loss amounted to PLN 23,331 thousand. thousand.

The Company's net loss for H1 2020 was at PLN 23,017 thousand and was lower by PLN 4,111 thousand than the result generated in H1 2019.

The balance sheet total as at June 30, 2020 was at PLN 1,192,009 thousand, meaning it was lower by PLN 36.452 than the balance sheet total at the end of 2019.

The value of fixed assets as at June 30, 2020 amounted to PLN 616,550 thousand, and increased by PLN 2,522 thousand, meaning a growth of 0.4% in comparison to the balance of fixed assets as at December 31, 2019.

The Company's current assets decreased by PLN 38,974 thousand, meaning 6.3% in comparison with the balance as at December 31, 2019, and reached PLN 575,459 thousand. Cash and cash equivalents dropped by PLN 31,340 thousand; trade receivables and other receivables decreased by PLN 2,266 thousand, and inventory dropped by PLN 2,021 thousand. As at the balance sheet date, assets from customer contracts amounted to PLN 173,972 thousand and increased by PLN 1,273 thousand in comparison to the end of the preceding year.

As at June 30, 2020, the Company's equity was at PLN 327,045 thousand and decreased by PLN 22,880 thousand, i.e. by 6.5%, in comparison with the balance as at December 31, 2019.

As at June 30, 2020, long-term liabilities reached PLN 339,641 thousand and increased by PLN 135,399 thousand, i.e. by 66.3% in comparison with the balance as at December 31, 2019. The main growth factor was the increase in the balance of credits and loans by PLN 108,056 thousand, as well as incurring a liability of bonds in the amount of PLN 27,538 thousand.

Short-term liabilities were at PLN 525,323 thousand and dropped by PLN 148,971 thousand, i.e. by 22.1%, in comparison with the balance as at the end of the previous year. The smaller decrease was affected by the drop in the balance of interest-bearing credits and loans by PLN 82,409 thousand, trade liabilities and other liabilities by PLN

27,080 thousand, i.e. by 9.2%, in the analysed period in comparison with the value as at December 31, 2019, as well as a decrease in the balance of provisions by PLN 24,697 thousand.

At the beginning of 2020, the Group's cash presented in the cash flow statement was at PLN 47,514 thousand, while at the end of the 6-month period it amounted to PLN 16,174 thousand. Net cash flows for the first 6 months of 2020 were negative and amounted to PLN -31,340 thousand, meaning an increase by PLN 2,473 thousand in comparison with the corresponding period of 2019.

4. Risk to going concern and actions taken and planned by the Management Board

In connection with Note 10 of the standalone annual report of the Trakcja for the 12 months ended on December 31, 2019 and the Note 62 of the consolidated annual report of the Trakcja Group for the 12 months ended on December 31, 2019, Company's Management Board presents the update regarding the issues described in the above notes to the financial statements.

Going concern

These financial statements for the six-month period ended June 30, 2020 were prepared based on the going concern assumption and, therefore, do not contain any adjustments in respect of different policies for the recognition and measurement of assets and liabilities that would be required if the going concern assumption was unjustified.

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

Risk to the going concern status

In the period of 6 months ended on 30 June 2020, the Company recorded net loss of PLN 23,017 thousand, and the net working capital amounted to PLN 50,654 thousand.

As at June 20, 2020, the Company's financial liabilities due to credits, lease and bonds amounted to a total of PLN 412,657 thousand (long-term part PLN 335,503 thousand, short term part PLN 77,154 thousand).

As at June 30, 2020, trade liabilities were at PLN 266,518 thousand, including outdated at PLN 94,718 thousand, which the Company pays from current inflows to a possible extent.

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

General situation of the Company and action undertaken

The Company recorded the following results for the 6 months ended on June 30, 2020:

- Gross result on sales: PLN 1,282 thousand (H1 2019: PLN 426 thousand)
- EBITDA: PLN -8.097 thousand (H1 2019: PLN -10,868 thousand)
- Net result: PLN -23,017 thousand (H1 2019: PLN -18,906 thousand)
- Equity: PLN 327,045 thousand (as at December 31, 2019: PLN 349,925 thousand)

Factors that had most significant effect on sales and the results of H1 2019 include: characteristic for entities in the building industry, which is linked with a substantially lower level of revenues in the first quarter and generating a significant amount of sales revenues in the second half of a calendar year.

The company's orderg backlog as at June 30, 2020 amounted to PLN 2,116 million, of which PLN 59,2 million were contracts signed in the first half of 2020.

In H1 2020, the Company's Management Board undertook negotiations with PKP PLK to amicably settle court disputes. The Company's Management Board is negotiation the receipt of payment due to contract claims proceeded in court from PKP PLK, the total amount of which as at the date of publication of this semi-annual report amounts to approximately PLN 158,6 milion (gross amount along with interest capitalized as at the date of filing the law suit), including the amount attributable to Trakcja is approximately PLN 120.3 million.

The Company, along with consortium partners and subcontractors, is conducting negotiations with PKP PLK with the participation of the General Prosecutor's Office of the Arbitration Court of the Republic of Poland concerning the amount of PLN 139.2 million (gross amount, along with interest capitalized as at the date of filing the suit), whereas the amount due to Trakcja is approximately PLN 106.9 million.

The value of other contractual claims sought out of court by the Company along with consortium partners and subcontractors amounts to PLN 233.3 million, whereas the amount due to Trakcja is approximately PLN 197.4 million. At this stage, the Management Board of the Parent Company is not able to define the end date of negotiations or their effect on the financial result.

New contracts won

The Parent Company continues to actively participate in tender procedures on the railway and road market, which comprise of less participants at the moment. Less pressure on the part of competitors results from saturation of the market with investments in comparison to the performance potential of construction companies on the Polish market. The current market trend demonstrates that offers of contractors which substantially exceed investor budgets are more and more often accepted by ordering parties.

In the first half of 2020, the Group signed the following significant contracts:

a) on April 2, 2020, the subsidiary, Trakcja PRKiI, signed a contract for "Upgrade of the 110/15/6 kV Central Station in Łódź" (the subsidiary's share – PLN 18.9 million, net);

b) on May 7, 2020, Trakcja PRKiI signed a contract for "Construction of B. Chrobry bridges within the provincial road No 455 in Wrocław", as announced in detail in current report No 17/2020 (the Company's share – PLN 56.7 million, net);

Active policy in the field of liquidity management of the Parent Company

In addition to activities that contribute to the improvement of future financial performance, the Parent Company's Management Board is also focused on the Company's liquidity situation. The Parent Company pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long-term perspective (including a weekly monitoring of cash flows), aiming at maintaining a stable level of available financing. In order to maintain liquidity, the Parent Company undertakes actions aimed at winning contracts which provide for advance payments. In addition, the Parent Company pursues an active policy of maintaining a low level of receivables, managing inventories and selling key materials to the ordering party at the initial stage of a contract. It also is in the process of negotiations with subcontractors to extend payment terms. The Parent Company places great emphasis on optimising the invoicing processes by shortening the period between the completion of works and their invoicing.

As at June 30, 2020, the Parent Company held cash and cash equivalents in the amount of PLN 16,174 thousand and unused credit lines in the amount of PLN 4,321 thousand.

As at the day preceding the preparation of these financial statements, the company held cash in the amount of PLN 6,629 thousand and unused credit lines in the amount of PLN 1,201 thousand.

In accordance with the provisions of long-term financing agreements, as at March 31, 2020, the Company together with a financial advisor (Ipopema Financial Advisory Sp. z o.o.) approved by financial institutions revised the financial model for the Trakcja Group's operations in the period 2020–2023. As a result of the aforesaid revision, a financial gap was identified with respect to the Parent Company in the amount of PLN 89 million, assuming raising funds by means of financial instruments. The Management Board believes that the estimated financing gap should be covered by additional funding and proceeds from claims from contracting authorities.

New financing sources

During the first half of 2020:

1. The Parent Company continued to issue financial instruments under the credit agreements signed.

2. The subsidiary, BTW Sp. z. o.o., concluded a leaseback agreement concerning specialist machines owned by the company, as a result of which it received cash in the amount of PLN 15,000 thousand. BTW extended a loan of PLN 11,000 thousand to the Parent Company.

3. On May 7, 2020, an annex to the consolidated intercreditor agreement of June 13, 2019, as amended ("Intercreditor Agreement") was concluded between the Company, its subsidiaries and financial institutions. Under the Annex to the Intercreditor Agreement, the subsidiary, Trakcja Ukraina sp. z o.o., acceded the Intercreditor Agreement as a party and, in addition, amendments were introduced to the wording of the agreement in order to adapt the terms of cooperation between the parties in connection with the planned issue of bonds convertible into the Company's shares, which were acquired by COMSA S.A.U. ("COMSA Convertible Bonds"). Pursuant to the Annex to the Intercreditor Agreement, COMSA's receivables under the Convertible Bonds have been subordinated to the repayment of financial claims resulting in particular from the existing financing of the Company and cannot be repaid before full, final and unconditional repayment of all such claims, expiry of the obligations of all creditors who are parties to the Intercreditor Agreement to provide funds or issue guarantees on the basis of relevant financing documents and expiry of all guarantees issued on the basis of relevant financing documents. At the same time, the parties agreed that the COMSA Convertible Bonds may, without the consent of the creditors, be converted into shares of the Company, irrespective of their subordination, on the terms and conditions indicated in the Terms and Conditions of Issue of COMSA Convertible Bonds. Apart from the above amendments, no material provisions of the Intercreditor Agreement have been amended.

4. On May 8, 2020, the Parent Company issued 1,764,705 Series F registered bonds convertible into the Series D shares of the Company with a par value of PLN 1.70 per share and the total par value of PLN 19,999,998.50 ("Series F bonds") and 4,514,405 Series G registered bonds convertible into the Series D shares of the Company with a par value of PLN 1.70 per share and the total par value of PLN 7,674,488.50 ("Series G bonds").

On May 8, 2020 the Company's Management Board adopted a resolution to allot:

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

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

All Series F Bonds were paid for by bank transfer to the bank account of the Parent Company. The amount due from Comsa as a result of accepting the offer to purchase Series G Bonds was set off against Comsa's claim resulting from the loan granted to the Parent Company.

For more information on the Series F and G Bonds, see Section 23 of the Additional notes and explanations to the condensed consolidated financial statements.

5. On June 1, 2020 the Company received an advance payment of PLN 24,498 thousand (brut) for the contract: "Reconstruction of track system together with auxiliary infrastructure at the E59 railway line, Choszczno–Stargard section as part of the project 'Works on the E59 railway line, Choszczno - Stargard section'".

6. During H1 2020, Group companies received financing of PLN 3.4 million as public aid in the form of a reimbursable loan from the Polish Development Fund [Polski Fundusz Rozwoju S.A.]:

- Bahn Technik Wrocław Sp. z o.o. – PLN 1.4 million;
- Torprojekt Sp. z o.o. PLN 1.1 million;
- Dalba Sp. z o.o. PLN 0.9 million.

7. In addition, in H1 2020, in their comprehensive income statement Trakcja S.A. Included dividends from subsidiaries in the amount of PLN 2,042 thousand, the payment of which will be set off against loans granted to Trakcja by these subsidiaries.

Operations undertaken by the Company post balance-sheet date

1. In connection with signing a long-term financing documentation, the Company also undertook to fulfil several follow-up conditions including, amongst others, causing a registration of hedging documents, establishment of additional collateral, and implementing a recovery plan.

   As from the publication date of the report, the Company has completed stage 1 and commence stage 2 of the Recovery Plan for the years 2020-21. The Recovery Plan foresees numerous activities undertaken by the Company (51 new initiatives) aiming at, amongst others, obtaining financial benefits by the Company, improvement of internal procedures, optimization of the internal structure. In addition, according to the financial documentation, the Company presents the credit agent (mBank S.A.) with the management report on the execution of the Recovery Plan, at least monthly, with is additionally verified by an advisor.

2. The Company is in the process of selling its non-operational assets. The Company plans to sell further non-operational assets, including real estate at ul. Oliwska in Warsaw for the price of PLN 17,500 thousand. The Company assumes the receipt of an advance payment for the sale of real estate at ul. Oliwska in Warsaw. The advance payment is to amount to PLN 3.5 million, which represents 20% of the expected sales price. The closing date of the transaction, at the request of the counterparty, has been postponed for reasons related to the current COVID-19 pandemic. The Company assumes that the transaction will be completed in 2020.

3. The Company expects the finalisation of the real estate sale transaction at ul. Lotnicza 100 in Wrocław, which should take place at in IV quarter of 2020, however, the Management Board of the Parent Company takes into account the fact that as a result of the SARS CoV-2 epidemic, the completion of the transaction may be postponed in time.

The Company's Management Board is of the opinion that the analyses carried out and the steps taken neutralise liquidity risk in a satisfactory manner. In the Company's opinion, the measures taken will make it possible to secure the financing of its operations and prepare the Company to execute projects on a larger scale.

The current development of the SARS CoV-2 pandemic has no influence on the Company's going concern in the foreseeable future. Further development of pandemic-related events is currently difficult to foresee and may adversely affect the Company's operations, timeliness of works, and costs incurred.

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.

Long-term financing agreement i.e. "Joint Terms Agreement" executed on September 27, 2019, as informed by the Company in the current report no. 51/2019, imposes an obligation for the Company to achieve and maintain defined financial indicators (hereafter "Covenants") at the Company or Group level. The agreement foresees that the first verification of fulfilment of Covenants by the Company and by the Group will take place on September 30, 2020. Covenants will be calculated based on the data for the last 12 months. According to the Company's Management Board, as at the publication date of the report a (high) risk exists that contractual financial indicators will not be achieved.

On September 10, 2020, the Parent Entity requested the financing entities to amend the deadlines for verification of Covenants. Pursuant to the long-term financing agreement, the Company is required to immediately inform the cooperation agent ("Agent") upon becoming aware that Covenants will not be met (which may occur upon the initial calculation of the Company's and Group's results for the 3 quarters of 2020, and the initial calculation of financial indicators defined in the long-term financing agreement). The Agent may undertaken, or be obliged to undertake - on request of the majority of financing entities i.e. entities, the exposure of which constitutes at least 50.1% of the total exposure of all financing entities at the time - defined activities, such as make all used funds payable on demand, or make the debt due and payable maintaining the deadlines provided for in the agreement. The Company is in regular contact with the Agent and with financing entities, which are regularly informed (at least once a month) about the progress in the execution of the Recovery Plan (management reports on the execution of the Recovery Plan are verified by an advisor).

Until the date of this report the Company has not received a response to the submitted request to amend the deadlines for the verification of Covenants.

Risk of failure of undertaken activities

The Company's Management Board has prepared the financial statements on the assumption that the Company will continue as a going concern in the period of at least 12 months from the date of approval of these statements for publication. The going concern status of the Company depends on successful implementation of the process of covering the financial gap. Any failure to achieve the expected effects of steps taken with respect to additional financing and negotiation of claims may pose a threat to the Parent Company's ability to continue as a going concern. In addition, future deterioration in liquidity could potentially be affected by factors such as: postponement of the dates for raising cash on account of advances, claims and negative events resulting from the COVID-19 pandemic (the description of risk factors related to the COVID-19 pandemic is provided in Section 18 of the Additional notes and explanations to the condensed consolidated financial statements).

Taking into account possible negative or unforeseen effects of the events described in this section, as well as possible postponement of activities ensuring sufficient financing of the Company's operations, the Company may take additional steps, involving:

1. Negotiations with the Company's creditors on debt restructuring along with simultaneous actions admitted by law in terms of protecting the Company and the interest of creditors and shareholders.
2. Operational restructuring, consisting in a sale of assets not used in operations, amongst others shares and stock in subsidiaries and tangible fixed assets.
3. Limitation of the Company's scope of operations.

5. Revenue from contracts with customers

Main types of products and services	Period ended	
	30.06.2020	30.06.2019
Construction and assembly services	302 513	410 751
Design services	2 936	2 929
Equipment rental	3 004	3 639
Deliveries of products (switchgears, supporting structures, etc.)	6 640	4 663
Deliveries of goods and materials	556	681
Others	126	788
Total	**315 775**	**423 451**

Distribution of revenues by country	Period ended	
	30.06.2020	30.06.2019
	Unaudited	*Unaudited*
Poland	314 493	422 810
Hungary	58	-
Germany	1 224	260
Ukraine	-	381
Total	**315 775**	**423 451**

Distribution of revenues due to recipients	Period ended	
	30.06.2020	30.06.2019
	Unaudited	*Unaudited*
Government and local government institutions	305 966	407 803
Private sector	9 809	15 648
Total	**315 775**	**423 451**

Distribution of revenues due to the duration of contracts	Period ended	
	30.06.2020	30.06.2019
	Unaudited	*Unaudited*
Up to 12 months	138 234	221 533
Over 12 months	177 541	201 918
Total	**315 775**	**423 451**

All agreements concerning construction contracts are based on a fixed price. All revenues from contracts are recognized using the percentage of completion method. In turn, revenues related to the sale of materials and other services are recognized at the time of transfer of the goods.

In H1 2020, the Company's Management Board undertook negotiations with PKP PLK to amicably settle court disputes. The Company's Management Board is negotiation the receipt of payment due to contract claims proceeded in court from PKP PLK, the total amount of which as at the date of publication of this semi-annual report amounts to

approximately PLN 158,6 milion (gross amount along with interest capitalized as at the date of filing the law suit), including the amount attributable to Trakcja is approximately PLN 120.3 million.

The Company, along with consortium partners and subcontractors, is conducting negotiations with PKP PLK with the participation of the General Prosecutor's Office of the Arbitration Court of the Republic of Poland concerning the amount of PLN 139.2 million (gross amount, along with interest capitalized as at the date of filing the suit), whereas the amount due to Trakcja is approximately PLN 106.9 million.

The value of other contractual claims sought out of court by the Company along with consortium partners and subcontractors amounts to PLN 233.3 million, whereas the amount due to Trakcja is approximately PLN 197.4 million. At this stage, the Management Board of the Parent Company is not able to define the end date of negotiations or their effect on the financial result.

Pursuant to internal analyses and opinions of external advisers, the Company includes in long-term contract budgets the court claims filed against ordering parties. The amount of court claims filed by the Company towards contracting entities, accounted for in long-term contract budgets, was adjusted by the risk factor and the probability factor. The amount of claims recoverable by the Company is between PLN 35 and 50 million. The amount was estimated on the basis of expert opinions and estimates of the Company, based on historical data and analyses of individual contracts. The Management Board is not stating an exact amount of claims in the financial statements in the interest of pending negotiations with the ordering party. In addition, the parent entity included revenues from any contractual claims in the measurement of a significant road contract.

6. Operating expenses

Costs by type:

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Depreciation	10 033	9 975
Consumption of materials and energy	103 535	99 256
External services	162 979	261 645
Taxes and charges	1 459	1 699
Payroll	61 547	58 289
Social security and other benefits	14 202	14 537
Other types of costs	11 622	14 288
Total costs by type	**365 377**	**459 688**
Change in inventories, products and prepayments	(24 951)	(15 537)
Cost of manufacture of products for the entity's own needs (negative value)	(7 167)	(3 361)
Cost of sales, marketing and distribution (negative value)	(826)	(1 139)
General and administrative costs (negative value)	(18 577)	(17 316)
Manufacturing cost of products sold	**313 856**	**422 335**
Value of materials and goods sold	**637**	**690**
Cost of goods sold	**314 493**	**423 025**

7. Other operating revenues

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Received penalties and fines	558	-
Redeemed liabilities	17	89
Profit on sale of non-financial non-current assets	868	375
Revenue from patents and licenses	1 024	-
Other	923	561
Total	**3 390**	**1 025**

8. Other operating costs

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Paid costs of litigation	594	431
Writing down expired receivables	1 592	7
Loss on disposal of non-financial fixed assets	76	-
Paid fines, compensation	347	1 807
Other	790	1 594
Total	**3 399**	**3 839**

9. Financial revenue

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Financial revenues from interest, including:	348	404
- bank interest	76	81
- loan interest	115	54
- other	157	269
Income from received dividends	2 042	4 350
Profit from exchange rate differences	-	3
Settlement of leasing liabilities	139	-
Other	10	-
Total	**2 539**	**4 757**

10. Financial costs

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Financial costs on account of interest, including:	9 239	6 497
- interest on loans and borrowings	6 175	2 133
- on liabilities	1 328	2 486
- on leasing	1 563	1 823
- on bonds	116	-
- on liability from employee benefits	32	46
- other	25	9
Costs of commissions for advance payment guarantee	-	406
Foreign exchange loss	685	-
Financial commission paid	773	246
PCC tax on the loan agreement	300	-
Revaluation write-offs on bonds	10	-
Other financial costs	155	96
Total	**11 162**	**7 245**

11. Income tax recognized in other comprehensive income

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Foreign exchange differences on translation of foreign operations		
Gross amount	(41)	9
Net amount	**(41)**	**9**

12. Profit (loss) per share

	Period ended	
	30.06.2020	**30.06.2019**
	Unaudited	*Unaudited*
Net profit (loss) from continued operations	(23 017)	(18 906)
Net profit for the period	(23 017)	(18 906)
Net profit applied to calculate diluted earnings per share	(23 017)	(18 906)
Number of issued shares (pcs)	86 450 976	51 399 548
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	86 450 976	51 399 548
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	86 450 976	51 399 548

	Period ended	
	30.06.2020	**30.06.2019**
Profit (loss) per 1 share (in PLN/share):	*Unaudited*	*Unaudited*
- basic	(0,27)	(0,37)
- diluted	(0,27)	(0,37)

	Period ended	
	30.06.2020	**30.06.2019**
Profit (loss) from continued operations per 1 share (in PLN/share):	*Unaudited*	*Unaudited*
- basic	(0,27)	(0,37)
- diluted	(0,27)	(0,37)

13. Tangible non-current assets and intangible assets

In the period from January 1 to June 30, 2020, the Company acquired property, plant and equipment and intangible assets in the amount of PLN 9,224 thousand, of which PLN 7,228 thousand are new fixed assets recognised in the balance sheet under lease agreements (whereby the largest amount, i.e. PLN 5,444 thousand, concerns the lease of office space at Al. Jerozolimskie 100 in Warsaw – the new registered office of the Company as of February 24, 2020). (in comparable period: PLN 4,362 thousand)

From January 1, 2020 to June 30, 2020, the Company disposed of tangible non-current assets and intangible assets in the total book value of PLN 70 thousand.The structure of fixed assets is as follows:

	30.06.2020	**31.12.2019**
	Unaudited	*Audited*
Own	75 109	75 561
Used under a rental, lease or other contract, including lease agreements, perpetual usufruct of land	91 091	92 044
Total	**166 200**	**167 605**

Below we present the change in the balance of tangible asses used based on lease, rental or other agreements, including leasing and perpetual usufruct of land:

	Land, buildings and structures	Machines and devices	Means of transport	Total
Balance on January 1, 2020	**2 405**	**40 435**	**49 204**	**92 044**
Depreciation	(2 152)	(1 503)	(2 212)	(5 867)
Assets components from new lease agreements	6 198	165	865	7 228
Other increases / decreases	8 390	(4 380)	(6 324)	(2 314)
Balance as at June 30, 2020	**14 841**	**34 717**	**41 533**	**91 091**

14. Investments in subsidiaries and entities consolidated under the equity method

As at June 30, 2020 the Company held the following shares in subsidiaries:

- shares in AB Kauno Tiltai with its registered office in Kaunas in the total amount of PLN 240,505 thousand which is 96.84% of the share capital of AB Kauno Tiltai. Trakcja holds a total of 98.09% (96.84% directly and 1.25% indirectly) of the share capital of AB Kauno Tiltai. The indirect shareholding results from the acquisition of own shares by the subsidiary.
- shares in PRK 7 Nieruchomości Sp. z o.o. with its registered office in Warsaw in the amount of PLN 17,169 thousand which is 100% of its share capital;
- shares in Torprojekt Sp. z o.o. with its registered office in Warsaw in the amount of PLN 1,400 thousand which is 82.35% of its share capital;
- shares in Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. in the amount of PLN 29,466 thousand which is 99.70% of its share capital;
- shares in Dalba Sp. z o.o. in the amount of PLN 385 thousand which is 100% of its share capital;
- shares in PDM Białystok S.A. in the amount of PLN 204 thousand which is 94.62% of its share capital;
- shares in Bahn Technik Wrocław Sp. z o.o. in the amount of PLN 22,178 thousand which is 100% of its share capital.

15. Impairment test on investment and goodwill in intangible assets

Due to the occurrence of premises indicating the possibility of impairment of investment, as at June 30, 2020, a test was performed for the impairment of goodwill assigned to all cash-generating units. For the purpose of examining the impairment of shares and stocks, each related entity was treated as a separate unit generating cash flows. The recoverable amount of investments is determined by calculating the value in use. These calculations use five-year projections of cash flows. The growth rate in the residual period was set at 2% and it does not exceed the longterm inflation rate. The Management Board determines the budgeted margin on the basis of historical performance, updated contract budgets and its projections regarding market growth. Weighted average growth rates are consistent with the projections presented in industry reports. The discount rate applied is a pre-tax rate reflecting specific threats to individual segments not included in the cash flow projections, calculated using the CAPM model.

Basic assumptions for the purposes of the test on impairment of the investment:

As at 30.06.2020	PRK7 Nieruchomości	PEUiM Sp. z o.o.	AB Kauno Tiltai	BTW Sp. z o.o.
WACC before taxation	11,0%	11,1%	11,6%	10,9%
WACC after taxation	9,4%	9,4%	9,4%	9,4%
EBITDA margin	2,8% - 6,9%	4,5% - 9,1%	4% - 7,7%	1,9% - 14%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

As at 31.12.2019	PRK7 Nieruchomości	PEUiM Sp. z o.o.	AB Kauno Tiltai	BTW Sp. z o.o.
WACC before taxation	12,5%	12,4%	11,3%	12,4%
WACC after taxation	10,6%	10,6%	10,0%	10,6%
EBITDA margin	1,4% - 4,8%	5,1% - 7,6%	3.5% - 7.2%	6,1% - 7,9%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

As a result of carried out tests, impairment of investment was not stated as on June 30, 2020.

The sensitivity analysis indicates that the significant factors influencing estimates of use value of investment are as follows: profitability of executed construction contracts, assumed level of a discount rate.

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

Sensitivity analysis for investments comprising: PRK7 Nieruchomości Sp. z o.o.:

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash generating unit	
		increase	decrease
EBITDA	+/- 2,5%	761	(761)
WACC	+/- 0,25 p.p.	(944)	1 005

Sensitivity analysis for investments comprising: PEUiM Sp. z o.o.:

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash generating unit	
		increase	decrease
EBITDA	+/- 2,5%	2 234	(2 234)
WACC	+/- 0,25 p.p.	(1 758)	1 879

Sensitivity analysis for investments comprising: AB Kauno Tiltai.:

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash generating unit	
		increase	decrease
EBITDA	+/- 2,5%	10 816	(10 816)
WACC	+/- 0,25 p.p.	(9 557)	10 223

Sensitivity analysis for investments comprising: Bahn Technic Wrocław Sp. z o.o.:

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash generating unit	
		increase	decrease
EBITDA	+/- 2,5%	1 267	(1 267)
WACC	+/- 0,25 p.p.	(861)	919

The Company analyzed the sensitivity of the change in EBITDA +/- 2.5% and WACC +/- 0.25 pp., as a result of which it was found that a reasonable change in assumptions in all of the above cases would not result in the need to recognize an impairment write-down.

In connection with the occurrence of premises indicating the possibility of impairment of goodwill presented in intangible assets, as at June 30, 2020, an impairment test was carried out.The recoverable amount of CGUs is determined by calculating the value in use. These calculations use four and half-year projections of cash flows. The growth rate in the residual period was set at 2% and it does not exceed the longterm inflation rate. The Management Board determines the budgeted margin on the basis of historical performance, updated contract budgets and its projections regarding market growth. Weighted average growth rates are consistent with the projections presented in industry reports. The discount rate applied is a pre-tax rate reflecting specific threats to individual segments not included in the cash flow projections, calculated using the CAPM model.

Basic assumptions adopted for the purposes of the goodwill impairment test:

As at 30.06.2020	CGU: Trakcja S.A. Torprojekt Sp. z o.o. BTW Sp. z o.o.
WACC before taxation	11,6%
WACC after taxation	9,4%
EBITDA margin	4% - 7,7%
Growth rate in the residual period	2,0%

As at 31.12.2019	CGU: Trakcja PRKiI S.A. Torprojekt Sp. z o.o. BTW Sp. z o.o.
WACC before taxation	12,6%
WACC after taxation	10,6%
EBITDA margin	3,4% - 8,7%
Growth rate in the residual period	2,0%

Sensitivity analysis for the CGU consisting of the following companies: Trakcja, Torprojekt Sp. z o.o. and BTW Sp. z o.o.

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash generating unit	
		increase	decrease
EBITDA	+/- 2,5%	20 308	(20 308)
WACC	+/- 0,25 p.p.	(11 491)	12 282

The Group analysed the sensitivity of the change in EBITDA by +/- 2.5% and in after-tax WACC by +/-0.25 p.p., which led to the conclusion that a reasonable change in assumptions would not trigger the need to recognise an impairment loss.

Impairment tests were carried out as at the balance sheet date, according to the best knowledge at the time of their preparation. A systemic factor that may affect the future measurement of all assets, in particular financial assets (in the separate financial statements) and goodwill in the consolidated financial statements is the Covid19 pandemic. At the time of preparing these statements, it is not possible, for objective reasons, to make an overall assessment of the impact of the pandemic on test results. When assessing potential effects specific to the Group, the following factors that may affect test results in subsequent reporting periods can be distinguished (with indication of their direction):

- decrease in the cost of debt financing due to the decrease in interest rates (+);
- increase in risk factors (the so-called country risk premium) for cash generating units on the Polish and Lithuanian markets (-);
- potential decrease in labour costs and increase in labour availability (+);
- improvement of competitive position in relation to other contractors due to insignificant share of foreigners in the employment structure (+);
- potential disruptions to the continuity of contract performance due to prolonged administrative decisions (-);
- change in prices of key materials, including: (1) potential decrease in the price of petroleum-based materials (e.g. asphalt) (+), (2) potential increase in material prices due to disruption of supply chains (-);
- stimulation of the Polish and Lithuanian economy through governmental infrastructure investment programmes (+);
- weakening of PLN against EUR and USD and potential volatility of exchange rates (+/-);
- potential increase in risk of payment backlogs and even insolvency of consortium partners and subcontractors (-).

Given the number of variables and uncertainties related to the direction of the pandemic's development as well as its effects, the result of future impairment tests may fluctuate beyond the levels of reasonable change in key assumptions assumed at the date of approval of the financial statements for publication.

16. Investment properties

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

The most recent valuation of investment properties by an independent expert was carried out as at December 31, 2019. As at June 30, 2020 the Company stated that there were no indications that the values of investment properties changed significantly.

In addition, in connection with the implementation of IFRS 16 “Lease” from January 1, 2019, the Group recognizes assets due to the right of use due to the right of perpetual usufruct of land - in investment real estate.

The structure of investment properties is presented below:

	Own real estate	Assets due to the right of use	Total
Balance as at January 1, 2019	**17 613**	**-**	**17 613**
Value actualization	(28)	-	(28)
IFRS 16 entry	-	2 236	2 236
Depreciation	-	(32)	(32)
Balance as at December 31, 2019	**17 585**	**2 204**	**19 789**
Depreciation	-	(16)	(16)
Balance as at June 30, 2020	**17 585**	**2 188**	**19 773**

17. Settlements under contracts with customers

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Contracts with customers assets	**173 972**	**175 245**
Nadwyżka przychodów wg stopnia zaawansowania nad przychodami zafakturowanymi	168 472	169 380
Zaliczki przekazane na poczet realizowanych kontraktów	5 500	5 865
Contracts with customers liabilities	**110 486**	**126 455**
Nadwyżka przychodów zafakturowanych nad przychodami wg stopnia zaawansowania	31 174	27 333
Zaliczki otrzymane na poczet realizowanych kontraktów	79 312	99 122

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

In the statement of financial position, the Company recognises a contract liability, i.e. the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. The Company recognises a contract liability mainly in relation to contracts for which the payment is made in advance and in relation to the consideration for construction works received in advance for services not yet provided by the Company.

No adjustments to revenue were made in any of the periods presented that would affect an asset or liability for contracts with customers in connection with the settlement of changes in contracts or changes in the estimated transaction price. In addition, no revenue was recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

Contracts with customers assets

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Balance at the beginning of the period	**175 245**	**160 028**
(+/-) Change of contract valuation / Implementation of new service obligations without issuing an invoice	108 618	145 556
(-) Invoicing	(109 891)	(130 339)
Balance at the end of the period	**173 972**	**175 245**

Contracts with customers liabilities

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Balance at the beginning of the period	**126 455**	**129 229**
(+/-) Change of contract valuation / Implementation of new service obligations without issuing an invoice	51 097	67 221
(-) Revenue recognized for the period included in the balance of liabilities at the beginning of the period	(67 066)	(69 996)
Balance at the end of the period	**110 486**	**126 455**

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

Advances received on account of contracts in progress:

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Balance at the beginning of the period	**99 122**	**113 247**
Increases: receipt of advances	19 923	39 888
Decrease: settlement of advances with income for the period	(39 733)	(54 013)
Balance at the end of the period	**79 312**	**99 122**

Advance payments towards ongoing contracts:

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Balance at the beginning of the period	**5 865**	**20 205**
Increases: transfer of advances	1 168	2 123
Decrease: settlement of advances in the period	(1 533)	(16 463)
Balance at the end of the period	**5 500**	**5 865**

18. Inventory

	30.06.2020	31.12.2019
	Unaudited	*Audited*
Materials	56 944	58 797
Semi-finished goods and products in progress	5 694	5 773
Finished goods	203	282
Merchandise	10	20
Total, gross inventory	**62 851**	**64 872**
Inventory revaluation write-offs	**(152)**	**(152)**
Materials	56 819	58 672
Semi-finished goods and products in progress	5 694	5 773
Finished goods	176	255
Merchandise	10	20
Total, net inventory	**62 699**	**64 720**

19. Trade and other receivables

	30.06.2020	31.12.2019
	Unaudited	*Audited*
Gross trade receivables, before discounting	274 883	272 257
Total, gross trade receivables	**274 883**	**272 257**
including:		
- receivables from related entities	6 057	*3 599*
Budgeted receivables	2 057	2
Receivables claimed in court	3 641	3 641
Other receivables from third parties	30 828	36 810
Receivables from sale of property	53 000	53 000
Amounts held	1 486	1 730
including:		
- receivables from related entities	-	*18*
Total, gross trade and other receivables	**365 895**	**367 440**
Expected credit loss	(70 834)	(70 113)
Total	**295 061**	**297 327**

20. Cash and cash equivalents

	30.06.2020	31.12.2019
	Unaudited	*Audited*
Cash in hand	-	4
Cash at bank	16 174	22 414
Other cash - deposits	-	25 096
Total	**16 174**	**47 514**

21. Share capital

	30.06.2020 *Unaudited*	**31.12.2019** *Audited*
	Par value 0.8 PLN	Par value 0.8 PLN
Series A ordinary shares	51 399 548	51 399 548
Series B ordinary shares	10 279 909	10 279 909
Series C ordinary shares	24 771 519	24 771 519
Total	**86 450 976**	**86 450 976**

As at March 31, 2020 and as at the preparation hereof, the Parent Company's share capital, in accordance with the entry in the 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. Each share constitutes one vote at the General Meeting of Shareholders. All shares are fully paid-up.

On February 6, 2020, the conditional increase of the Parent Company's share capital was entered into the register by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register. Accordingly, the Parent Company's share capital was conditionally increased from PLN 69,160,780.80 by not more than PLN 13,023,288 through the issue of not more than 16,279,110 Series D ordinary bearer shares with a par value of PLN 0.80 per share. Series D shares may be subscribed for by holders of series F and G convertible bonds issued by the Parent Company after the balance sheet date, i.e. on May 8, 2020. (more information in section 23 of the report).

22. Interest-bearing loans and borrowings

Long-term interest-bearing loans and borrowings:

	30.06.2020 *Unaudited*	**31.12.2019** *Audited*
Bank loans	202 587	96 393
- investment loans	1 263	3 793
- overdraft	32 322	-
- working loans	169 002	92 600
Loans from related parties	47 083	42 873
Lease liabilities	58 295	60 643
Total	**307 965**	**199 909**

Short-term interest-bearing loans and borrowings:

	30.06.2020 *Unaudited*	**31.12.2019** *Audited*
Bank loans	33 145	116 967
- investment loans	5 059	5 059
- overdraft	3 576	19 447
- working loans	24 510	92 461
Loans from related parties	26 767	25 655
Loans from other entities	-	394
- project purpose loans	-	394
Lease liabilities	17 158	16 463
Total	**77 070**	**159 479**
Total short and long term loan and credits	**385 035**	**359 388**

Change in interest-bearing loans and credits in the first half of 2020:

As at 1.01.2020	**282 282**
Audited	
Loans received	47 654
Variations due to currency translation	(13 779)
Netting off with the amount due from bond issue	(7 674)
Used	6 713
Reversed	(6 359)
Foreign exchanges	745
As at 30.06.2020	**309 582**
Unaudited	
including	
- long-term	249 670
- short-term	59 912

Structure of leasing liabilities:

	30.06.2020 *Unaudited*	**31.12.2019** *Audited*
Long-term leasing liability	58 295	60 643
Short-term leasing liability	17 158	16 463
Total	**75 453**	**77 106**

Maturity analysis of lease liabilities according to contracts:

Undiscounted lease liabilities by contract	**30.06.2020** *Unaudited*	**31.12.2019** *Audited*
Within 1 year	20 116	20 338
Within 1 to 5 years	49 996	50 372
Over 5 years	23 988	25 466
Total undiscounted lease liabilities	**94 100**	**96 176**

Present value of the minimum lease payments	**30.06.2020** *Unaudited*	**31.12.2019** *Audited*
Within 1 year	17 158	16 463
Within 1 to 5 years	45 333	46 484
Over 5 years	12 962	14 159
Total	**75 453**	**77 106**

Costs related to lease contracts:

	1.01.2020 - 30.06.2020 *Unaudited*
Depreciation	5 867
Interest	1 563
Total leasing costs	**7 430**

23. Bonds

On May 8, 2020 the Company's Management Board adopted a resolution to:

- allot all 11,764,705 Series F secured registered bonds convertible into Series D shares of the Company with a nominal value of PLN 1.70 per share, with a total nominal value of PLN 19,999,998.50 and an issue price equal to the par value (“Series F Bonds”) to Agencja Rozwoju Przemysłu S.A. (“ARP”) and

- allot all 4,514,405 Series G unsecured registered bonds convertible into Series D shares of the Company with a nominal value of PLN 1.70 per share, with a total nominal value of PLN 7,674,488,50 and an issue price equal to the par value (“Series G Bonds”) to COMSA S.A.U (“Comsa").

Series F Bonds and Series G Bonds were issued at an issue price equal to their par value. The Series F Bonds are secured with collateral indicated in the Terms and Conditions of Issue of Series F Bonds, including in particular a highest-ranking contractual mortgage on the Company's real property located in Bieńkowice established in favour of the mortgage administrator. In addition, the Company submitted representations on submission to enforcement under Article 777 § 1(5) of the Code of Civil Procedure for the benefit of the ARP concerning all of the Company's assets and for the benefit of the collateral administrator concerning the mortgaged property. Series G bonds are unsecured and are subject to contractual subordination in accordance with the Intercreditor Agreement.

The bonds bear interest based on 1M WIBOR plus an agreed margin. Interest will be accrued and paid on a monthly basis, with interest on Series G Bonds to be paid at the earliest upon redemption of Series G Bonds. The Bonds

redemption date is December 30, 2022. The Bonds may be redeemed early in cases provided for by law, as well as in the event of occurrence of circumstances that are typical for this type of bonds, as set out in the Terms and Conditions of issue of Series F Bonds and Series G Bonds. The Bonds were issued pursuant to Article 33 (2) of the Bond Act. The issue of bonds constitutes an element of the long-term financing, as notified by the Company in the Report on Long-Term Financing.

Bond series	Issue date	Maturity date	Nominal value of 1 bond (in PLN)	Series nominal value (in ths. PLN)
F	08.05.2020	30.12.2022	1,7	20 000
G	08.05.2020	30.12.2022	1,7	7 674

All Series F Bonds were paid for by bank transfer to the bank account of the Parent Company. The amount due from Comsa as a result of accepting the offer to purchase Series G Bonds was set off against Comsa's claim resulting from the loan granted to the Parent Company.

On August 5, 2020, the Company signed Annex no. 1 to the Terms of Issue of F Series Bonds with Bondholder ARP, in regard to a change of the date for interest payments. The new interest payment date (interest period) shall be 3 months.

Structure of bonds:

	30.06.2020 *Unaudited*	**31.12.2019** *Audited*
Long-term	27 538	-
Short-term	84	-
Total	**27 622**	**-**

As at the balance sheet date, June 30, 2020, the bonds were recognized at amortized cost.

24. Trade and other liabilities

	30.06.2020 *Unaudited*	**31.12.2019** *Audited*
Trade liabilities, before discounting	201 235	233 686
Total, net trade liabilities after discounting	**201 235**	**233 686**
including:		
- liabilities from related entities	5 310	2 137
Amounts held	30 620	31 388
Budgetary liabilities	23 305	22 564
Payroll liabilities	7 637	2 822
Other liabilities towards third parties	3 721	3 138
Total trade and other liabilities	**266 518**	**293 598**

Trade liabilities and retentions:

	30.06.2020	31.12.2019
	Unaudited	*Audited*
Trade liabilities before discounting	231 855	265 074
With maturity within 12 months	219 178	252 193
With maturity over 12 months	12 677	12 881
Total, Trade liabilities after discounting	**231 855**	**265 074**

25. Provisions

As at 1.01.2020	**89 542**
Audited	
Recognized	8 926
Used	(6 196)
Reversed	(27 573)
As at 30.06.2020	**64 699**
Unaudited	
including	
- long-term	2 956
- short-term	61 743

26. Fair value of financial instruments

In the first half-year of 2020, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the annual financial statements. 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 borrowings granted and any loans and borrowings incurred are based on the variable market rates linked to WIBOR and EURIBOR, and therefore their fair values are close to their carrying amounts.

For the shares held in other entities (including the related entities), the Company is unable to reliably determine their fair value due to the fact that they are not listed on the active market. In keeping with the accounting policy adopted by the Company, such shares are measured at cost less any impairment losses. An impairment test was conducted as at June 30, 2020, as there were prerequisites indicating a possibility of an impairment of the investment in subsidiaries of Trakcja S.A. No write-downs were made based on this test.

In the first half-year of 2020, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

27. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment property and financial derivatives. In the period of I half year 2020 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 note 22 in the annual financial statements for 2019.

	30.06.2020 Unaudited	Level 1	Level 2	Level 3
Investment properties:	**19 773**	-	-	19 773
Office property	19 773	-	-	19 773
- land	16 237	-	-	16 237
- buildings	3 536	-	-	3 536

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

Level 1 – quoted market prices for similar assets or liabilities in active markets;

Level 2 – prices in active markets other than quoted market prices, set directly (by comparison with actual transactions) or indirectly (by application of measurement methods based on actual transaction);

Level 3 – prices other than prices in active markets.

In the first half-year of 2020, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

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

In the first half of 2020, the Company did not change the classification of financial assets.

29. Change in impairment losses and write-downs

	Inventory	Receivables	Investments in subsidiaries	Total
As at 1.01.2020 *Audited*	**152**	**70 113**	**114 187**	**184 452**
Recognized	-	2 099	-	2 099
Used	-	(235)	-	(235)
Reversed	-	(1 144)	-	(1 144)
As at 30.06.2020 *Unaudited*	**152**	**70 833**	**114 187**	**185 172**

30. Contingent and other off-balance-sheet items

	30.06.2020 *Unaudited*	31.12.2019 *Audited*
Contingent receivables		
From related entities due to:	**702 400**	**702 400**
Received guarantees and sureties	702 400	702 400
From other entities due to:	**59 390**	**62 109**
Received guarantees and sureties	58 102	60 818
Bills of exchange received as collateral	1 288	1 291
Total contingent receivables	**761 790**	**764 509**
Contingent liabilities		
To related entities due to:	**726 031**	**712 900**
Provided guarantees and sureties	702 400	702 400
Promissory notes	23 631	10 500
To other entities due to:	**8 780 944**	**8 380 829**
Provided guarantees and sureties	730 379	762 550
Promissory notes	601 739	516 402
Mortgages	4 197 672	4 197 672
Assignment of receivables	1 554 039	1 313 768
Assignment of rights under insurance policy	227 438	120 137
Security deposits	18 025	18 648
Registered pledges	1 451 652	1 451 652
Total contingent liabilities	**9 506 975**	**9 093 729**

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 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 on June 30, 2020 and as on December 31, 2019 the remaining contingent liabilities concerned pledges by registration.

As at June 30, 2020, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 914 thousand (as compared to PLN 1,309 thousand as at December 31, 2018) 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 PLN 2,232 thousand as at June 30, 2019 (PLN 519 as at December 31, 2019).

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 June 30, 2018 are sufficient to mitigate the recognised and measurable tax risk.

31. Transactions with related parties

Transactions with related entities are made at arm's length. Please also find below information on receivables from and liabilities towards the related entities as at balance sheet date and as at the end of the comparable period.

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Financial income due to dividends received	Interest costs	Other financial costs
Shareholders:							
COMSA S.A.	1.01.20-30.06.20	-	-	-	-	274	3
	1.01.19-30.06.19	2	753	-	-	-	-
ARP S.A	1.01.20-30.06.20	-	-	-	-	797	7
	1.01.19-30.06.19	-	-	-	-	-	-
Subsidiaries:							
PRK7 Nieruchomości Sp. z o.o.	1.01.20-30.06.20	13	1 044	-	733	176	-
	1.01.19-30.06.19	32	232	-	218	118	-
Torprojekt Sp. z o.o.	1.01.20-30.06.20	132	698	68	-	-	-
	1.01.19-30.06.19	172	954	-	418	-	-
AB Kauno Tiltai	1.01.20-30.06.20	-	-	-	-	132	-
	1.01.19-30.06.19	65	8	-	-	127	-
PEUiM Sp. z o.o.	1.01.20-30.06.20	3	-	-	1 309	37	-
	1.01.19-30.06.19	117	-	-	1 055	11	-
PDM Białystok S.A.	1.01.20-30.06.20	1	-	32	-	58	-
	1.01.19-30.06.19	42	-	36	-	-	-
Dalba Sp. z o.o.	1.01.20-30.06.20	2	-	15	-	25	-
	1.01.19-30.06.19	6	502	18	-	-	-
AB Kauno Tiltai Lenkijos skyrius	1.01.20-30.06.20	233	-	-	-	-	-
	1.01.19-30.06.19	108	-	-	-	-	-
BTW Sp. z o.o.	1.01.20-30.06.20	2 327	3 990	-	-	271	-
	1.01.19-30.06.19	3 319	4 404	-	2 659	-	-
Trakcja Ukraina Sp. z o.o.	1.01.20-30.06.20	22	-	-	-	-	-
	1.01.19-30.06.19	200	-	-	-	-	-
Trakcja Infra Sp. z o.o.	1.01.20-30.06.20	-	-	-	-	-	-
	1.01.19-30.06.19	181	-	-	-	-	-
Total	**1.01.20-30.06.20**	**2 733**	**5 731**	**115**	**2 042**	**1 770**	**10**
	1.01.19-30.06.19	**4 244**	**6 853**	**54**	**4 350**	**256**	**-**

The total amounts of transactions made between the related entities in the period covered by the condensed financial statements and in the comparable period are presented below.

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders:					
COMSA S.A.	30.06.2020	-	85	-	242
	31.12.2019	-	188	-	7 656
ARP S.A	30.06.2020	-	184	-	27 648
	31.12.2019	-	184	-	27 668
Subsidiaries:					
Bahn Technik Wrocław Sp. z o.o.	30.06.2020	2 516	3 356	-	12 417
	31.12.2019	470	605	-	2 051
PRK7 Nieruchomości Sp. z o.o.	30.06.2020	945	1 001	-	8 451
	31.12.2019	51	559	-	10 961
TORPROJEKT Sp. z o.o.	30.06.2020	481	448	2 990	-
	31.12.2019	499	256	2 722	-
AB Kauno Tiltai	30.06.2020	112	223	-	16 150
	31.12.2019	112	318	-	15 273
PEUiM Sp. z o.o.	30.06.2020	1 312	12	-	5 540
	31.12.2019	-	13	-	1 502
PDM Białystok S.A.	30.06.2020	142	-	2 170	2 352
	31.12.2019	2 430	1	2 137	2 392
Dalba Sp. z o.o.	30.06.2020	58	-	1 100	1 050
	31.12.2019	37	1	1 085	1 025
AB Kauno Tiltai Lenkijos skyrius	30.06.2020	287	-	-	-
	31.12.2019	-	12	-	-
Trakcja Ukraina Sp. z o.o.	30.06.2020	204	-	-	-
	31.12.2019	-	-	-	-
Total	**30.06.2020**	**6 057**	**5 310**	**6 259**	**73 850**
	31.12.2019	**3 599**	**2 137**	**5 944**	**68 528**

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

The total value of remuneration and other benefits for the Management Board members in the first half-year of 2020 was PLN 2,460 thousand, including PLN 2,084 thousand recognised as costs of the parent company and PLN 376 thousand recognised as costs of its subsidiaries.

In the comparable period of 2019, the total value of remuneration and other benefits for the Management Board members was PLN 2,776 thousand, including PLN 2,528 thousand recognised as costs of the parent company and PLN 248 thousand recognised as costs of its subsidiaries.

The total value of remuneration and other benefits for the Supervisory Board members in the first half-year of 2020 was PLN 782 thousand, including PLN 517 thousand recognised as costs of the parent company and the remaining amount of remuneration, namely PLN 265 thousand, recognised as costs of its subsidiaries.

In the comparable period of 2019, the total value of remuneration and other benefits for the Supervisory Board members was PLN 902 thousand, including PLN 516 thousand recognised as costs of the parent company and the remaining amount of remuneration, namely PLN 386 thousand recognised as costs of its subsidiaries.

In addition, on June 30, 2020, the "Remuneration Policy for the Members of the Management Board and Supervisory Board" was adopted pursuant to the resolution no. 28 of the Ordinary General Meeting of Trakcja.

	Period ended			
Remuneration of the Management Board of the Parent company	**30.06.2020 Unaudited**		**30.06.2019 Unaudited**	
	In parent company	**In subsidiaries**	**In parent company**	**In subsidiaries**
Salaries and other current employee benefits	2 084	376	1 666	248
Post-employment benefits	-	-	589	-
Benefits due to termination of employment	-	-	273	-
Total	**2 084**	**376**	**2 528**	**248**

	Period ended			
Remuneration of the Supervisory Board of the Parent company	**30.06.2020 Unaudited**		**30.06.2019 Unaudited**	
	In parent company	**In subsidiaries**	**In parent company**	**In subsidiaries**
Salaries and other current employee benefits	517	265	516	386
Total	**517**	**265**	**516**	**386**

33. Events subsequent to the end of the reporting period, which are not reflected in the financial statements for the first half-year of 2020

Significant events subsequent to the end of the reporting period have been presented in Note 43 of the interim consolidated financial statements of Trakcja Group for the 6-month period ended June 30, 2020.

Warsaw, September 16, 2020 roku

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

Robert Sobków

Member of the Management Board

Adam Stolarz

Member of the Management Board

Person responsible for keeping the accounting records:

Elżbieta Okuła

Chief Accountant

TRAKCJA
CAPITAL GROUP

REPORT ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP

FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2020

prepared pursuant to § 90 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information to be published by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent (Journal of Laws of 2014, item 133), as amended.

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

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Figures provided in this Report on the Activities of the Group are presented in thousand Polish zloty, unless explicitly stated otherwise. Financial information herein is prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union. This Report on the Activities of the Group does not cover all information or disclosures required in the annual report on the activities and it should be read together with the Group's consolidated financial statements for the year ended December 31, 2019. We would also like to emphasise forward-looking statements (e.g. may, will, expect, consider, estimate), because they are based on certain assumptions subject to risk and uncertainty. Therefore, the Group is not responsible for such information.

1. Business Activities of Trakcja Group

1.1 General information on the Group

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.

On July 29, 2020, the name of the Parent Company was changed from "Trakcja PRKiI Spółka Akcyjna" to "Trakcja Spółka Akcyjna". 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.

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

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

As at June 30, 2020, 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 first half-year 2020:

- Bahn Technik Wrocław 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 Białystok S.A. - a subsidiary based in Białystok, Trakcja owns 94.62% of the share capital of this company,
- Branch of Trakcja S.A. in Bulgaria - is under liquidation,
- Branch of Trakcja S.A. in Ukraine,
- Trakcja Ukraina Sp. z o.o. - a subsidiary with its seat in Kiev, PDM Białystok 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 Verksioniu karjeras - a subsidiary, company based in Bagoteliu K (Lithuania),

• UAB Taurakelis - a subsidiary, UAB Taurakelis with its seat in Tauragé (Lithuania),

• UAB Kedainiu Automobiliu Keliai - a subsidiary, company based in Kédainiai (Lithuania),

• TUB Konsorciumas 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 Rezekne (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 Malmo (Sweden),

• AB Kauno Tiltai TUB konsorciumas Tiltra - branch in Poland,

• UAB "Transporto infrastructure" - a subsidiary, company based in Vilnius (Lithuania).

The Group's activities concentrate on the comprehensive performance of works relating to a widely understood railway 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 railway and tramway lines, railway and tramway electrification system and power lines, as well as construction of bridges, viaducts, piers, overpasses, tunnels, underpasses, retaining walls, roads and associated elements of railway 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 core business is the construction of buildings both for railway infrastructure purposes (traction substation buildings, switch towers, railway crossing cabins, railway stations, train buildings and other) and for general purposes (residential and commercial). The services provided also include the development of power systems and remote control systems. For over seventy years, the Group members have been responsible for comprehensive medium and high voltage power systems in the new and modernised and renovated railway power facilities. The Group modernised several thousand kilometres of railway lines and provided power to over 10,000 kilometres of railway 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 Group's main attributes include its ability to execute the comprehensive performance of projects within its own capacity in all industries (railway track works, engineering facilities and overhead contact lines), its order backlog awarded and:

- its highly-qualified management along with the customer-orientated team,
- its wide experience of professional performance and coordination of works completed in a timely manner and according to the highest European standards,
- its modern machinery.

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

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

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

1.2 Changes in the Group and their consequences

In H1 2020, the Trakcja Group's structure has not changed, and neither business combination, acquisition or loss of control over subsidiaries or long-term investments nor division, restructuring or discontinuation of business occurred. The Group's organisational structure is presented in the diagram in Note 2 to the condensed consolidated financial statements for the six months ended June 30, 2020.

In H1 2020, the Management Board of Trakcja S.A. adopted a resolution on terminating the business activity of Trakcja S.A. In Bulgaria and its liquidation as of June 1, 2020. The Company initiated a process aiming at de-registering the establishment of Trakcja S.A. w Bułgarii. In consideration of formal and legal requirements as well as formal time limits, the completion of the process of de-registering the establishment and its final closure is foreseen by the end of 2020.

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 PRKiI Spółka Akcyjna" to "Trakcja Spółka Akcyjna".

1.3 Types of products and services

The scope of activities in Trakcja Group has not changed compared to the one presented in note 2. Report on the Activities of the Trakcja Group in 2019.

1.4 Significant construction contracts

In the course of the 1st half of the year 2020 Trakcja Capital Group signed agreements of total value of aproximately PLN 0.6 bn net (excluding a portion of revenues attributable to consortium members), which constitutes a increase by 3% in comparison with the analogous period in 2019. At the end of June 2020 the procurement portfolio amounted to approximately PLN 3.2 bn net (excluding a portion of revenues attributable to consortium members), which constitutes an increase by approximately 39% with regard to the procurement portfolio at the end of June 2019. Taking into account own capacity potential, the Group conducts a balanced policy of acquiring contracts, which is confirmed with the size of the procurement portfolio. The above data is presented with an exclusion of a part of revenues attributable to consortium members and do not cover the most beneficial bids expected to be signed.

In the first half-year of 2020, the Group signed the following significant contracts:

a) on March 2, 2020, the subsidiary, AB Kauno Tiltai, signed a contract for "Renovation of District Road No 4512 on the Skaudvilė-Adakavas-Nemakščiai section from 6 428 km to 12 180 km" (the subsidiary's share – PLN 13.1 million, net).

b) on March 16, 2020, the subsidiary, PRK7 Nieruchomości Sp. z o.o., signed a contract for the "Construction of Building D at the Maria Grzegorzewska Academy of Special Education in Warsaw" (the subsidiary's share – PLN 29.1 million, net);

c) on March 20, 2020, the subsidiary, PRK7 Nieruchomości Sp. z o.o., signed a contract for the "Construction of a Special School and Educational Centre in Pruszków, ul. Wapienna in II stages" (the subsidiary's share – PLN 34.4 million, net);

d) on April 2, 2020, the subsidiary, Trakcja PRKiI, signed a contract for "Upgrade of the 110/15/6 kV Central Station in Łódź" (the subsidiary's share – PLN 18.9 million, net);

e) on April 29, 2020, the subsidiary, AB Kauno Tiltai, signed a contract for "Reconstruction of the 330kV Lietuvos E - Alytus overhead line (LN 330)" (the subsidiary's share – PLN 67.5 million, net);

f) on April 30, 2020, the subsidiary, AB Kauno Tiltai, signed a contract for "Construction of local roads and streets in the commune of Vilnius County; repair, maintenance and road safety works" (the subsidiary's share – PLN 22.8 million, net);

g) on May 4, 2020, the subsidiary, AB Kauno Tiltai, signed a contract for Reconstruction works at Vilnius airport", as announced in detail in current report No 12/2020 (the subsidiary's share – PLN 122.1 million, net);

h) on May 7, 2020, Trakcja PRKiI signed a contract for "Construction of B. Chrobry bridges within the provincial road No 455 in Wrocław", as announced in detail in current report No 17/2020 (the Company's share – PLN 56.7 million, net);

i) on June 4, 2020, the subsidiary, AB Kauno Tiltai, signed a contract for "Redevelopment of the roundabout at the intersection of Baltijos street, Silutes street (including the entry to the Dubysos street), and Wileńska street, including the preparation of the plan of works"; details have been provided in the current report no. 20/2020 (company's share – PLN 111.6 million net).

After the balance sheet date, the Group signed the following significant contracts:

a) on July 27, 2020, the subsidiary, AB Kauno Tiltai, signed a contract for "Renovation of the Poviat Road no. 4107 at the Upyna - Pagrybis - Kaltinėnai Section, from 0.720 km to 6.488 km" (company share – PLN 14.4 million net);

b) on 11 August 2020, the subsidiary, AB Kauno Tiltai, signed a contract as a consortium partner for "Reconstruction and Assembly of Modern Traffic Safety Measures on Kernavės Street, section from Žalgirio street to Lvovo street (total contract value – PLN 14.7 million net (company share – PLN 3.4 million net).

The Trakcja Group primarily performs railway and road contracts on Polish and Lithuanian markets. The Group's equipment and human resources allow for large contracts with value between several dozen and several hundred million to be performed. The largest contracts completed by the Group in the first half-year of 2020 are presented in the table below (the contract amounts specified include the construction works allocated to consortium members):

No.	Name of the contract	Net amount of the contract (PLN million)	Type of work
1.	Project and construction of the S61 express road in Szczuczyn-Budzisko (National border) with the division into tasks: Task No. 2: section Ełk Południe node - Wysokie node (along with the wyplot along the national road 16)	570	road
2.		566	railway
3.	Modernization of the E30/C-E30 railway line on the Kraków – Rzeszów section, stage III (Dębica - Sędziszów Małopolski)	430	railway
4.	Execution of construction works in LCS Łowicz – section: Sochaczew – Żychlin and section: Placencja – Łowicz Główny as part of the task "Works on the E20 railway line on the WarszawaPoznań section – other works, section: Sochaczew-Swarzędz"	456	railway
5.	Designing and execution of construction works as part of the project "Works on railway lines No. 140, 148, 157, 159, 173, 689, 691 on the section Chybie - Żory - Rybnik - Nędza / Turze"	396	railway
6.	Development of detailed designs and execution of works for LCS Warszawa Okęcie as part of the Project POIiŚ 7.1-19.1.a. pn. "Modernization of the railway line No. 8, section Warsaw Okęcie - Radom (LOT A, B, F)"	385	railway
7.	Design and execution of construction works on the E20 railway line, section: Siedlce Terespol within the task "Works on the E20 railway line on the Siedlce - Terespol section, stage III - LCS Terespol"	384	railway
8.	Design and execution of works within the framework of the project construction of the Szczecin Metropolitan Railway using the existing sections of railway lines No. 406, 273, 351 - task A pn. "Modernization of railway line No. 406 on the section Szczecin Główny - Police"	376	railway
9.	Execution of design and construction works under the project entitled "Revitalization of railway lines No. 694/157/190/191 Bronów - Bieniowiec - Skoczów - Goleszów - Cieszyn / Wisła / Głębce"	365	railway
10.	Modernization of the E 30 / C-E 30 railway line, section Kraków - Rzeszów, stage III; on the Sędziszów section Małopolska - West Rzeszów at km 133.600 - 154.900	313	railway
11.	Design and construction of the S-5 expressway on the section from the Szubin junction (with the junction) to the Jaroszewo junction (from junction) about 19.3 km long	313	road
12.	Implementation of construction works under Tender No. 1 - Modernization of the Jaworzno Szczakowa section - Trzebinia (km 1.150 - 0.000 of lines No 134, km 15.810 - 29.110 of lines No 133) under the project "Modernization of the E 30 railway line, section Zabrze - Katowice - Kraków, stage IIb	293	railway
13.	"Reconstruction of track systems along with the accompanying infrastructure on the E59 railway line, section Poznań Główny - Rokietnica "as part of the project" Works on the E 59 railway line, section Poznań GŁówny - Szczecin Dąbie "(Updated contract value, not including the amount conditional)	281	railway
14.	Construction of the second section of the Plungė-Šateikiai railway	209	railway
15.	Task A: Preparation of project documentation and execution of the construction works under the project „Revitalization of railway line no. 405, section: voivodeship border – Słupsk–Ustka", Task B: Design and building of railway traffic control equipment from railway station Szczecinek km 71,480 to km 104,515 within the project „Increase of safety and liquidation of operating dangers at the rail network"	178	railway
16.	Modernization of the E59 railway line on the Wrocław - Poznań section, stage III - section Czempiń - Poznań	164	railway
17.	Reconstruction works of the airport in Vilnius	120	road
18.	Reconstruction of the A1 Vilnius-Kaunas-Klaipeda road 99.29 - 100.47 km	119	road
19.	Reconstruction of the roundabout at the intersection of ul. Baltijos, ul. Silutes (including the entrance to Dubysos Street) and ul. Wileńska with the preparation of the works project	112	road
20.	Order for the design and execution of construction works - optimization power transmission grid in north-eastern Lithuania and its preparation for synchronous operation of the transmission network in continental Europe (order no 189494)	107	energetic
21.	Design and execution of works under the construction project of the Szczecin Metropolitan Railway with using the existing sections of railway lines No. 406, 273, 351 - Task B, "Modernization of selected passenger infrastructure on railway lines No. 273, 351 and 401"	105	railway

**) Updated contract value*

1.5 Strategy and directions of the Group's development

In the first half-year of 2020, the Group successfully continued organizational and legal restructuring in order to achieve effects of synergy, operational effectiveness and increasing the financial power.

In 2020 Trakcja Group expects to improve the Group's performance, guided by the following strategic principles:

- development through organic growth;
- enhancement of effectiveness and efficiency through a better organisation of works, better use of synergies, and incentive schemes;
- substantial improvement in cash flow management,
- using own forces in the contracts' execution to extent,
- ensuring an increase in funding to fill the missing resources, in particular by:

- finalizing the negotiation of a settlement regarding court claims

- additional debt financing,

- sales on non-operating assets,

- selective approach to the performance of contracts under consortium agreements.

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

Active policy on liquidity management of the Parent Company

In addition to activities that contribute to the improvement of future financial performance, the Parent Company's Management Board is primarily focused on the Company's liquidity situation. The Parent Company pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long-term perspective, aiming at maintaining a stable level of available financing. In order to maintain liquidity, the Parent Company undertakes actions aimed at winning contracts which provide for advance payments. In addition, the Parent Company pursues an active policy of maintaining a low level of receivables, managing inventories and selling key materials to the ordering party at the initial stage of a contract. The Parent Company places great emphasis on shortening the period between the completion of works and their invoicing. The Parent Company's activities related to the liquidity situation are described in Note 50 to the consolidated financial statements for the first half of 2020.

Active participation in tender procedures

The Parent Company will continue to actively participate in tender procedures for the railway and road construction markets, currently characterised by a smaller number of participants. Decreased pressure from competitors results from saturation of the market with projects in relation to the contracting potential of construction companies in Poland. The current market trend shows that bids from contractors that significantly exceed investor budgets are more and more frequently accepted by contracting authorities.

Strengthening the Group's position on the Polish railway market of construction and assembly services

In 2020 and subsequent years, the Management Board of Trakcja expects to focus its operations on the Polish railway market of construction and assembly services and to strengthen its market position on the road market. This objective can be achieved thanks to the effective organisational and financial support for the tendering and contracting area and for the contract implementing area through the establishment of new units, in particular, the Production Preparation and Project Optimisation Department. A key goal in the area of financial management will be a more effective working capital management. Its expected effects include better financial liquidity, minimisation of demand for working capital and maintenance of the Company's debt at a safe level. The expected effects thereof include better financial liquidity, minimising the demand for working capital and maintaining safe level of the Group's indebtedness, which shall allow undisturbed continuation of the operating activity.

Diversification of the Group's business

Within the scope of diversification of business, in 2020 the Group again engaged in city investments related with modernization of the tramway and trolley bus infrastructure. The Parent Entity has signed contracts for the execution of this type of investments. The Group successfully continued its engagement in Germany, performing a cubature contract in Stuttgart, and in Ukraine, where road works were commenced in the Chernivtsi Province.

Strengthening the Group's position on other markets

The Group has recently strengthened its position on the road market, maintaining a high position on the railway construction market. In addition, the Group is undertaking activities to strengthen its position on other geographical markets, including Germany and Ukraine, and in other infrastructural construction segments. The Parent Entity is currently engaged in the tramway segment (city market). The Parent Entity also executes other tasks on the energy market.

Brief description of significant accomplishments or failures in the first half of 2020

The significant achievements of the Group during the 6 months ended June 30, 2020 include:

- Signing new contracts worth PLN 0,6 billion (excluding the part attributable to consortium members)
- Further reconstruction of the order backlog, which was at PLN 3,2 million as at June 30, 2020 (excluding the revenues allocated to consortium members).
- The completion by the Parent Entity of stage I and commencement of stage II of the Recovery Plan, which foresees that the Company will undertake numerous activities aiming at the Company obtaining financial benefits, improving internal procedures, and optimization of the internal structure.

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 H1 2020.

However, the introduced pandemic state, government restrictions applicable from March 20, 2020, and concerns about the development of the situation and its influence on the Group's functioning forced the Trakcja Group companies to amend the work organization. In account of the health and safety of employees and to ensure continuity of the Group's operations, the Management Board prepared a procedure of operation with regard to the risks related with SARS CoV-2. The Management Board has signed an agreement with trade unions on 6 April 2020, pursuant to which as from 6 April 2020 the working time was reduced by 10 % and, in consequence, the salaries of employees remunerated at a monthly rate were reduced pro rata. This reduction of working time concerned mainly clerical workers, to allow maintaining the contract performance potential. The 10% decrease of salaries shall also covered members of the Management Board, the Supervisory Board, as well as workers engaged on the basis of self-employment, and contractors. In addition, it was agreed, amongst others, to temporarily suspend the payout of bonuses and rewards, allowances, and retirement severance pays, to reduce overtime, and to introduce restrictions with relation to using business vehicles. In addition, the write-off to the company's social benefits fund was reduced by 25%. The agreement was temporary and applicable to June 30, 2020, and no new agreement has been signed until the date of approval of this report. In addition, pursuant to GIS recommendations, the Group adjusted the working space, introduced a possibility of remote work, and secured disinfectants and personal protection for employees.

In addition, in H1 2020 the SARS CoV-2 pandemic directly affected the Group's operations through, amongst others:

- Prolongation of collection procedures, which has resulted in delaying sales and cash flow;
- Temporary interruptions in deliveries of certain goods and limitation of availability of services by subcontractors, in particular those that engage foreign personnel;
- Worsening of commercial terms, in particular with regard to payment dates, required advance payments, and, to a limited extent, prices.

During the reporting period, the Group has attempted to eliminate existing interruptions by way of using other available subcontractors and performing work with own resources. The Group is seeking alternative sources of supplies and undertakes trading negotiations to agree on satisfactory terms.

During H1 2020, within the scope of public aid, the Group obtained PLN 3.4 million in the form of financial subsidies granted by Polski Fundusz Rozwoju S.A. within the scope of the "Tarcza finansowa PFR" programme (PFR Financial Shield).

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.

2. Present and forecast condition of Trakcja Group

Below, in order to discuss the financial situation, the Issuer presents selected financial results and APM indexes. In the Management Board's opinion, they provide a source of additional (apart from the data presented in financial statements), valuable information on the financial and operating situation, as well as facilitate the analysis and assessment of financial results achieved by the Company in the course of particular reporting periods. The company presents specific, alternative performance measurements, as they constitute standard measurements and indexes commonly used in financial analysis. Selection of alternative performance measurements was preceded with the analysis of their usefulness with regard to delivering to the investor useful information on the financial situation, cash flows and financial effectiveness, as well as, in the Company's opinion, it allows optimal assessment of the achieved financial results.

2.1 Description of factors and events exerting a significant impact on the financial performance in the first half of 2020

2.1.1 Overview of the Income Statement

CONSOLIDATED PROFIT & LOSS ACCOUNT	1.01.2020 - 30.06.2020 *Unaudited*	1.01.2019 - 30.06.2019 *Unaudited*	Change	Change %
Sales revenues	558 417	655 422	(97 005)	-15%
Cost of goods sold	(553 546)	(655 876)	102 330	-16%
Gross profit (loss) on sales	**4 871**	**(454)**	**5 325**	**-1173%**
Cost of sales, marketing and distribution	(2 674)	(3 087)	413	-13%
General and administrative costs	(32 879)	(32 804)	(75)	0%
Other operating revenues	4 286	2 008	2 278	113%
Other operating costs	(3 573)	(3 931)	358	-9%
Operating profit (loss)	**(29 969)**	**(38 268)**	**8 299**	**-22%**
Financial revenues	564	2 491	(1 927)	-77%
Financial costs	(14 631)	(9 226)	(5 405)	59%
Gross profit (loss)	**(44 036)**	**(45 003)**	**967**	**-2%**
Income tax	5 790	9 182	(3 392)	-37%
Net profit (loss) for the period	**(38 246)**	**(35 821)**	**(2 425)**	**7%**

In H1 2020, the Trakcja Group's sales revenues were at PLN 537,648 thousand and decreased by 15% as compared to the corresponding period of the preceding year. The cost of goods sold for the 6-month period of 2020 decreased by 16% and was at PLN 533,546 thousand.

The Group's gross profit on sales for H1 2020 was at PLN 4,871 thousand and was higher by PLN 5,325 thousand in comparison to H1 2019. In the analysed period, the gross profit margin on sales was 0.87% and by 0.94 p.p. higher than in the corresponding period of 2019.

The factor with the largest influence on the gross margin on sales in H1 2020 was the situation in the Parent Company, which reported a decrease of PLN 107,676 thousand in revenues from sales in comparison to the corresponding period of the preceding year. This was an effect of the difficulties of the Parent Company with payments to subcontractors and suppliers of materials, which adversely affected the pace of execution of construction contracts, as well as clearing low-margin contracts obtained in previous years, which were more difficult in terms of procurements, as well as a significant increase of the costs of production. At the same time the situation in AB Kauno Tiltai improved in comparison to H1 2019, which has recorded a growth in the gross magin on sales by PLN 10,449 thousand. This was affected by the more beneficial order backlog, as well as favorable weather conditions, which allowed commencing works in February 2020; this resulted in increased revenues in H1 2020 in comparison to the corresponding period of

the preceding year. The influence of the general SARS – COV-2 pandemic situation on the level of revenues and gross margin on sales of the Trakcja Group was insignificant.

The cost of sales, marketing and distribution was at PLN 2,674 thousand. It was by 13% lower than in the comparable period. Overhead costs reached PLN 32,879 thousand, and were at a level similar to H1 of the preceding year i.e. PLN 32,804 thousand. In the Parent Company, these costs increased by PLN 1,261 thousand in comparison to the corresponding period, which is related, amongst others, with the growth of actuarial reserves for pension benefits, jubilee awards and annual leave in the amount of PLN 401 thousand. The AB Kauno Tiltai Group reported a drop in the overhead costs by PLN 949 thousand, which results from the optimization of personnel costs in H1 2020.

Other operating revenues for the 6 months of 2020 were at PLN 4,286 thousand and were higher by 113% i.e. PLN 2,287 thousand than in the corresponding period. This growth was mainly caused by the revenues from patent fees of the Parent Company in the amount of PLN 1,024 thousand as well as profit on sale of the Group's non-financial fixed assets amounting to PLN 721 thousand. The Group's other operating costs reached PLN 3,572 thousand and decreased by PLN 358 thousand in comparison with H1 of the preceding year.

The Group ended H1 2020 with a loss on operations amounting to PLN 29,969 thousand, which means a decrease of the loss on operations by PLN 8,299 thousand in comparison to the comparable period of the preceding year, when this loss amounted to PLN 38,268 thousand. The decrease of the loss mainly results from increasing the gross margin on sales during the discussed period, which was affected by factors described below.

In H1 2020, the Group's financial revenues were at PLN 564 thousand, meaning lower by PLN 1,927 thousand i.e. 77% as compared to the corresponding period of the preceding year. The drop in financial revenues mainly results from interest revenues being lower by PLN 1,823 thousand, including interest from agreements on licensed services being lower by PLN 1,705 thousand in connection with the 2019 sale of UAB Pletros investicijos and UAB Palangos aplinkkelis. In the discussed period, financial costs increased by PLN 5,405 thousand, i.e. 59%, in comparison to the end of the preceding year, and reached PLN 14,631 thousand. An increase of the financial costs mainly resulted from an increase in costs of interest by PLN 2,485 thousand, and the loss on f/x differences recognized in H1 2019 in the amount of PLN 1,824 thousand, partially set-off by a drop of PLN 1,129 thousand in interest due to liabilities.

During the discussed period, the Group has reported a gross loss of PLN 44,036 thousand, meaning a decrease of the loss by PLN 967 thousand in comparison to H1 2019, whereas the year ended with a gross loss of PLN 45,003 thousand.

The income tax for H1 2020 increased the net result by PLN 5,790 thousand.

The Group ended H1 2020 with a net loss of PLN 38,246 thousand; in the corresponding period of the preceding year, the Group incurred a net loss of PLN 35,821 thousand, which means worsening of the result by PLN 2,425 thousand in comparison to H1 2019.

In H1 2020, the net profit margin reached -6.8%, meaning a drop by 1.3 p.p in comparison to H1 2019.

2.1.2 Overview of the Balance Sheet

The key items of the consolidated balance sheet of Trakcja Group as at June 30, 2020 in comparison with their balances as at December 31, 2019 are presented in the table below:

CONSOLIDATED ASSETS	30.06.2020 *Unaudited*	31.12.2019 *Audited*	Change	Change %
Non-current assets	**612 222**	**596 366**	**15 856**	**3%**
Tangible non-current assets	291 645	286 228	5 417	2%
Investment properties	22 434	22 447	(13)	0%
Goodwill from consolidation	172 856	168 983	3 873	2%
Intangible assets	51 733	51 389	344	1%
Investments in other units	26	25	1	4%
Other financial assets	6 419	6 202	217	3%
Deferred tax assets	59 262	54 755	4 507	8%
Long-term receivables	134	158	(24)	-15%
Prepayments	7 713	6 179	1 534	25%
Current assets	**887 838**	**887 954**	**(116)**	**0%**
Inventory	151 114	135 390	15 724	12%
Trade and other receivables	432 341	399 749	32 592	8%
Receivables from income tax	3	-	3	-
Other financial assets	11 637	12 699	(1 062)	-8%
Cash and cash equivalents	41 610	107 473	(65 863)	-61%
Prepayments	15 155	16 574	(1 419)	-9%
Contracts with customers assets	230 941	211 032	19 909	9%
Assets held for sale	5 037	5 037	-	0%
TOTAL ASSETS	**1 500 060**	**1 484 320**	**15 740**	**1%**

As at June 30, 2020, the balance sheet total of Trakcja Group was at PLN 1,500,060 thousand and increased by PLN 15,740 thousand i.e. 1.1% in comparison with its balance as at the end of 2019.

As at June 30, 2020, non-current assets were at PLN 612,222 thousand and increased by PLN 15,856 thousand. The increase resulted mainly from an increase in tangible non-current assets by PLN 5,417 thousand and from an increase in deferred tax assets by PLN 4,507 thousand. Moreover, goodwill from consolidation increased by PLN 3,873 thousand in connection with a change in f/x differences.

As at June 30, 2020, current assets were at PLN 887,838 thousand and decreased by PLN 116 thousand. The balance of cash and cash equivalents decreased by PLN 65,863 thousand; simultaneously, trade receivables and other receivables increase by PLN 32,592 thousand and assets from client contracts - by PLN 19,909 thousand.

CONSOLIDATED EQUITY AND LIABILITIES	30.06.2020 *Unaudited*	31.12.2019 *Audited*	Change	Change %
Equity attributable to shareholders of parent entity	**391 717**	**420 243**	**(28 526)**	**-7%**
Share capital	69 161	69 161	-	0%
Share premium account	-	340 561	(340 561)	-100%
Revaluation reserve	7 082	7 082	-	0%
Other capital reserves	330 671	276 188	54 483	20%
Retained earnings	(37 994)	(285 430)	247 436	-87%
Foreign exchange differences on translation of foreign operations	22 797	12 681	10 116	80%
Non-controlling interests	**5 308**	**5 241**	**67**	**1%**
Total equity	**397 025**	**425 484**	**(28 459)**	**-7%**
Total liabilities	**1 103 035**	**1 058 836**	**44 199**	**4%**
Long-term liabilities	**381 652**	**232 816**	**148 836**	**64%**
Interest-bearing bank loans and borrowings	327 873	207 857	120 016	58%
Bonds	27 538	-	27 538	100%
Provisions	17 019	14 093	2 926	21%
Liabilities due to employee benefits	4 457	4 094	363	9%
Provision for deferred tax	4 727	6 727	(2 000)	-30%
Derivative financial instruments	8	8	-	0%
Other liabilities	30	37	(7)	-19%
Short-term liabilities	**721 383**	**826 020**	**(104 637)**	**-13%**
Interest-bearing bank loans and borrowings	84 878	153 790	(68 912)	-45%
Bonds	84	-	84	100%
Trade and other liabilities	396 775	408 766	(11 991)	-3%
Provisions	67 387	94 773	(27 386)	-29%
Liabilities due to employee benefits	17 082	13 574	3 508	26%
Income tax liabilities	-	238	(238)	-100%
Other financial liabilities	124	123	1	1%
Accruals	5 541	506	5 035	995%
Contracts with customers liabilities	149 512	154 250	(4 738)	-3%
Total equity and liabilities	**1 500 060**	**1 484 320**	**15 740**	**1%**

In H1 2020, the total equity decreased by PLN 28,459 thousand, in comparison with the balance as at December 31, 2019 and reached PLN 397,025 thousand as at June 30, 2020.

As at June 30, 2020, long-term liabilities were at PLN 381,652 thousand, meaning an increase by PLN 148,836 thousand (i.e. by 63.9%). This increase mainly resulted from a growth of the balance due to interest-bearing credits and loans by PLN 120,016 thousand as at June 20, 2020 in comparison to the value as at December 31, 2019, and recognition in the balance sheet as at June 20, 2020 of a liability amounting to PLN 27,538 thousand due to issue of bonds by the Parent Company.

As at June 30, 2020, short-term liabilities reached PLN 721,383 thousand and decreased by PLN 104,637 thousand, i.e. by 12.7%, in comparison with the balance as at the end of the preceding year. This decrease mainly resulted from the drop in the value of provisions by PLN 27,386 thousand, of which PLN 21,339 thousand represented a decrease in provisions for contract losses, and PLN 3,433 thousand were attributable to a drop in provisions for bonuses. In addition, trade and other liabilities decreased by PLN 11,991 thousand. Moreover, the value of interest-bearing credits and loans dropped by PLN 68,912 thousand i.e. 44.8% in comparison to the balance as at December 31, 2019.

2.1.3 Overview of the Statement of Cash Flows

The key items of the consolidated statement of cash flows of Trakcja Group for the period ended June 30, 2020 and for the period ended June 30, 2019 are presented in the table below:

CONSOLIDATED CASH FLOW ACCOUNT	1.01.2020 - 30.06.2020 *Unaudited*	1.01.2019 - 30.06.2019 *Unaudited*	Change	Change %
Cash at start of period	**107 461**	**116 675**	**(9 214)**	**-8%**
Net cash flows from operating activities	(115 664)	(150 574)	34 910	-23%
Net cash flows from investment activities	(2 264)	(1 850)	(414)	22%
Net cash flows from financial activities	52 065	72 572	(20 507)	-28%
Total net cash flows	**(65 863)**	**(79 852)**	**13 989**	**-18%**
Cash at end of period	**41 598**	**36 663**	**4 935**	**13%**

In the first half year 2020 the net cash flows from operating activities were negative and amounted to PLN 115,664 thousand. The value increased compared to the same period of the previous year by PLN 34,910 thousand. In the 1st half of the year 2020 the net cash due to the investment activity showed negative balance in the amount of PLN 2,264 thousand., whereas, in comparison with the previous period – it decreased by PLN 414 thousand. The net cash flow balance due to financial activity in the 1st half of the year 2020 was positive and amounted to PLN 52,065 thousand. Net cash flows from financial activities in the first half of 2019 decreased PLN 20,507 thousand. The main factor influencing the decrease of cash flow due to the financial activity constituted a decrease of the inflow due to loans and credits by PLN 33,736 thousand. Moreover, in the period ended June 30, 2020 was received proceeds from the issue of bonds in the amount of PLN 20,000 thousand.

At the beginning of 2020, the Group's cash disclosed in the consolidated statement of cash flows was PLN 107,461 thousand, while ended the first half of 2019 with cash balances disclosed in the consolidated cash flow statement in the amount of PLN 41,598 thousand. In the reported period, negative net cash flows in the amount of PLN 65,863 thousand.

2.1.4 Overview of profitability ratios

Sales profitability ratios show the relationship between sales and costs and their impact on profit. The level of these ratios determines the ability to generate profit through sales.

The gross sales profit margin decreased by 1.0 pp. in first half of 2020 as compared to the same period last year and was 0.9%. The main reasons for the reduction of the gross profit margin on sales are described in note 2.1.1. The operating profit, including depreciation and amortization (EBITDA) was PLN -19,596 thousand and dropped by PLN -11,148 thousand and increased by PLN 8,448 thousand as compared to the first half year 2019. The EBITDA margin fell by 1.0 pp. and reached -2.0%. The operating profit margin increased by 0.5 pp. and totaled -5.4%. In the analyzed period the net profit margin was -6.8% and was lower by 1.4 pp. from the margin of the comparable period.

The return on equity (ROE) decreased by 3,6 pp. in relation to the previous year and was -9.4%. The return on assets (ROA) amounted to -2.5% and was lower by 0.3 pp. lower than in the preceding year.

PROFITABILITY RATIOS	1.01.2020 - 30.06.2020 *Unaudited*	1.01.2019 - 30.06.2019 *Unaudited*	Change
Gross sales profit margin	0,9%	-0,1%	1,0 p.p.
EBITDA	(11 148)	(19 596)	8 448
EBITDA profit margin	-2,0%	-3,0%	1,0 p.p.
Operating profit margin	-5,4%	-5,8%	0,4 p.p.
Net profit margin	-6,8%	-5,5%	-1,3 p.p.
Return on equity (ROE)	-9,4%	-5,7%	-3,7 p.p.
Return on assets (ROA)	-2,5%	-2,2%	-0,3 p.p.

These ratios have been calculated using the following formulae:
Gross margin on sales = gross profit on sales / sales revenue
EBITDA = operating profit + amortisation/depreciation
EBITDA margin = (operating profit + amortisation/depreciation) / sales revenue
Operating profit margin = operating profit / sales revenue
Net profit margin = net profit / sales revenue
Return on equity (ROE) = net profit / average equity
Return on assets (ROA) = net profit / average assets

2.2 Assessment of financial resources management

As at the end of the first half-year of 2020 Trakcja Group had cash in the amount of PLN 41,610 thousand and its total debt (loans, borrowings, finance lease and bonds) were PLN 440,373 thousand. The liquidity situation of the Parent Company is described in note 50 to the condensed consolidated financial statements of Trakcja Group for the period of 6 months ended June 30, 2020.

As at June 30, 2020 the Group is at a disposal of unused credit facilities (overdraft facilities and working capital facilities) in the amount of PLN 46 m, which guarantees to the Trakcja Group companies the continuity of financing the current contract activity.

The Trakcja Group conducts a well-developed cooperation with banks and insurance institutions in order to ensure relevant level of financing, as well as bank and insurance guarantees enabling performance of planned construction contracts. By renegotiating existing credit agreements and establishing business relations with new banks and insurance institutions, Trakcja Group controls its liquidity position and extends its external financing sources. The Group uses many offered banking products and various financing sources (overdraft facilities, investment credits, financial leasing, contract financing) in order to minimise financial costs and optimise financial liquidity management.

2.2.1 Liquidity ratios

Most of the liquidity ratios in the Trakcja Group slightly changed at the end of the 1st half-year of 2020 in comparison with the end of 2019.

As at June 30, 2020, the working capital in Trakcja Group amounted to PLN 171,996 thousand., which constituted a increase by PLN 109,557 thousand in comparison with the working capital at the end of 2019.

As at the end of the first half-year of 2020 the current ratio amounted to 1.23 and was higher by 0.16 than the current ratio as at December 31, 2019. The quick ratio was 1.02 and by 0.11 higher compared to the ratio at the end of 2019. The immediate liquidity ratio amounted to 0.06. The liquidity situation of the Parent Company has been described in more details in note 50 to the half-yearly consolidated financial statement of the Trakcja Group for the period of 6 months ended on June 30, 2020.

LIQUIDITY RATIOS	30.06.2020 *Unaudited*	31.12.2019 *Audited*	Change
Working capital	171 996	62 440	109 556
Current ratioj	1,23	1,07	0,16
Quick ratio	1,02	0,91	0,11
Cash ratio	0,06	0,13	(0,07)

The above ratios have been calculated in accordance with the following formulas:
Working capital = current assets - short-term liabilities + prepayments
Current ratio = current assets / short-term liabilities
Quick ratio = (current assets - inventory) / short-term
Cash ratio = cash and cash equivalents / short-term

2.2.2 Wskaźniki struktury finansowania

The Group monitors its capital structure using debt ratios.

The financing structure ratios changed negatively as at June 30, 2020 in comparison with the end of 2019.

As at June 30, 2020 the equity to assets ratio was 0.26. The equity to non-current assets ratio decreased from 0.70 at the end of 2018 to 0.64 as at June 30, 2020. The debt ratio was 0.74 at the end of the first half of 2020. This means that the company's assets are financed in 74% by foreign sources of financing - liabilities. In addition, the debt to equity ratio increased from -2.53 at the end of 2019 to 2.83 in the first half of 2020.

FINANCING STRUCTURE RATIOS	30.06.2020 *Unaudited*	31.12.2019 *Audited*	Change
Equity to assets ratio	0,26	0,28	-0,02
Equity to non-current assets ratio	0,64	0,70	-0,07
Debt ratio	0,74	0,72	0,02
Debt to equity ratio	2,83	2,53	0,30

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

2.2.3 Loans and borrowings

As at June 30, 2020 the loans and borrowings granted to Trakcja Group were as follows:

Name of Company	Lender Creditor	Type of loan, credit	Amount by currency contracts (in thousands)	Contract Currency	Maturity date	Interests	Amount left to be paid (in thousands)
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	21 500	PLN	31.12.2022	WIBOR 1M + margin	21 535
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	92 600	PLN	31.12.2022	WIBOR 1M + margin	92 751
Trakcja S.A.	mBank S.A.	overdraft facility	20 000	PLN	31.12.2022	WIBOR O/N + margin	16 451
Trakcja S.A.	mBank S.A.	working capital credit	50 000	PLN	31.12.2022	WIBOR 1M + margin	49 228
Trakcja S.A.	COMSA S.A.	loan from related undertaking	2 674	PLN	30.12.2020	WIBOR 3M + margin	82
Trakcja S.A.	COMSA S.A.	loan from related undertaking	5 000	PLN	30.12.2020	WIBOR 3M + margin	159
Trakcja S.A.	mBank S.A.	investment credit	21 500	PLN	31.12.2022	WIBOR 1M + margin	6 322
Trakcja S.A.	Pekao S.A.	overdraft facility	20 000	PLN	31.12.2022	WIBOR 1M + margin	19 447
Trakcja S.A.	mBank S.A.	working capital credit	15 000	PLN	31.12.2022	WIBOR 1M + margin	14 999
Trakcja S.A.	mBank S.A.	working capital credit	15 000	PLN	31.12.2022	WIBOR 1M + margin	14 998
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	27 600	PLN	31.12.2023	WIBOR 1M + margin	27 648
AB Kauno Tiltai	Luminor Bank AB	working capital credit	4 000	EUR	31.05.2023	EURIBOR 3M + margin	13 304
AB Kauno Tiltai	Luminor Bank AB	overdraft facility	12 000	EUR	30.06.2021	EURIBOR 1M + margin	15 281
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	investment credit	2 500	PLN	30.12.2020	WIBOR 1M + margin	350
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	overdraft facility	3 000	PLN	31.12.2022	WIBOR 1M + margin	-
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	Idea Getin Leasing	loan from other entities	244	PLN	15.06.2024	WIBOR 1M + margin	204
PDM S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	2 500	PLN	31.12.2022	WIBOR 1M + margin	2 500
Dalba Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	1 000	PLN	31.12.2022	WIBOR 1M + margin	1 000
Dalba Sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	814	PLN	31.05.2023	interest-free	814

Bahn Technik Wrocław Sp. z o.o.	Plasser & Theurer, Export von Bahnbaumaschinen, Gessellschaft m.b.H.	investment loan	1 800	EUR	31.12.2020	oprocentowanie stałe	1 027
Bahn Technik Wrocław Sp. z o.o.	mLeasing	loan from other entities	16 397	PLN	15.03.2025	WIBOR 1M + margin	14 216
Bahn Technik Wrocław Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	2 000	PLN	31.12.2022	WIBOR 1M + margin	2 000
Bahn Technik Wrocław Sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	1 412	PLN	31.05.2023	interest-free	1 412
Torprojekt Sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	1 180	PLN	13.05.2023	interest-free	1 180
PRK 7 Nieruchomości Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	4 000	PLN	31.12.2022	WIBOR 1M + margin	4 000
						Total	**320 908**

The interest rate of the loans received is the WIBOR/EURIBOR rate plus a bank margin. Bank margins depend on a bank and fixed repayment date of the loan.

As at June 30, 2020 the total debt of the Group amounted to PLN 440,373 thousand and increased by PLN 78,726 thousand as compared to December 31, 2019. The value of the total debt including the interest-bearing credits and loans in the amount of PLN 320,908 thousand (as at December 31, 2019: PLN 277,130 thousand.), the liabilities due to leasing in the amount of PLN 91 843 thousand (as at December 31, 2019: PLN 84 517 thousand) and the liability due to bond issue in the amount of PLN 27 622 thousand (as at December 31, 2019: PLN 0).
During H1 2020, Trakcja S.A. repaid an investment loan to De Lage Landen Leasing Polska S.A. in the amount of PLN 1,147 thousand with a variable interest rate, the balance of the loan as at June 20, 2020 amounted to PLN 0 (balance as at December 31, 2019: PLN 394 thousand in the comparable period of 2016).

During H1 2020, a subsidiary, AB Kauno Tiltai, repaid and terminated a revolving credit agreement in the amount of EUR 400 thousand, with an EURIBOR 3M interest rate, increased by a margin; as at June 30, 2020, the balance of the loan amounts to PLN 0 (balance as at December 31, 2019: PLN 852 thousand in the comparable period of 2016).

In connection with the issuance of G Series Bonds on May 8, 2020, the loan granted to Trakcja by Comsa S.A. In the total amount of PLN 7,656 thousand was set off against the amount due from Comsa S.A. on the account of accepting a proposal to subscribe to G Series Bonds.

During H1 2020, Group companies received financing of PLN 3.4 million as public aid in the form of a reimbursable loan from the Polish Development Fund [Polski Fundusz Rozwoju S.A.]:

- Bahn Technik Wrocław Sp. z o.o. – PLN 1.4 million;
- Torprojekt Sp. z o.o. PLN 1.1 million;
- Dalba Sp. z o.o. PLN 0.9 million.

A subsidiary, BTW Sp. z. o.o., has concluded a returnable lease agreement concerning specialist machines held by the company, resulting in receipt of funds in the amount of PLN 15,000 thousand. BTW granted a loan to the Parent company in the amount of PLN 11,000 thousand.

On May 7, 2020, an annex was concluded (details presented in the current report 13/2020) to unify the “Creditors Agreement” of June 13, 2019 as further amended (details presented in the current report 12/2019) between the Company, its subsidiaries, and financing entities. Pursuant to the Annex to the Creditors Agreement, Trakcja Ukraina spółka z ograniczoną odpowiedzialnością – the Company’s subsidiary – became a party to the Agreement Between

Creditors; additionally, amendments were introduced to the Agreement to account for the rules of cooperation between the parties in connection with the planned issue of bonds convertible to the Company's shares.

Long-term financing agreement i.e. "Joint Terms Agreement" executed on September 27, 2019, as informed by the Company in the current report no. 51/2019, imposes an obligation for the Company to achieve and maintain defined financial indicators (hereafter "Covenants") at the Company or Group level. The agreement foresees that the first verification of fulfilment of Covenants by the Company and by the Group will take place on September 30, 2020. Covenants will be calculated based on the data for the last 12 months. According to the Company's Management Board, as at the publication date of the report a (high) risk exists that contractual financial indicators will not be achieved.

On September 10, 2020, the Parent Entity requested the financing entities to amend the deadlines for verification of Covenants. Pursuant to the long-term financing agreement, the Company is required to immediately inform the cooperation agent ("Agent") upon becoming aware that Covenants will not be met (which may occur upon the initial calculation of the Company's and Group's results for the 3 quarters of 2020, and the initial calculation of financial indicators defined in the long-term financing agreement). The Agent may undertake, or be obliged to undertake - on request of the majority of financing entities i.e. entities, the exposure of which constitutes at least 50.1% of the total exposure of all financing entities at the time - defined activities, such as make all used funds payable on demand, or make the debt due and payable maintaining the deadlines provided for in the agreement. The Company is in regular contact with the Agent and with financing entities, which are regularly informed (at least once a month) about the progress in the execution of the Recovery Plan (management reports on the execution of the Recovery Plan are verified by an advisor).

Until the date of this report the Company has not received a response to the submitted request to amend the deadlines for the verification of Covenants.

2.3 The Management Board's position as regards previously published forecasts of the Trakcja Group's financial performance

Trakcja Group did not publish any financial forecast for 2020.

2.4 Indication of factors which, in the opinion of the Group, will have an impact on its performance during at least the following half-year

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;
- 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;
- the Central Bank's monetary policy reflected in the interest rate changes. For the purpose of financing the acquisitions planned, the Group may take out bank loans, and therefore it may incur financial expenses determined by the interest rate levels;
- the timeliness in repayment of liabilities by customers. A failure to do so by customers may lead to the deterioration in the Group's financial liquidity;
- the level of prices of materials, including transport costs;
- growing bargaining power of subcontractors (impact on the level of prices of services provided by them);
- the increasing pressure on margins;

- number of contracts won under the "National Railway Program until 2023" program;
- number of contracts won under the "National Road Construction Program for 2014-2023, with a prospect until 2025";
- the ability to acquire highly qualified staff;
- a decrease in the number of entities participating in tenders on the Polish railway market;
- the ability to further diversify the activity;
- the ability to obtain external financing;
- results of court proceedings.

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;

The current development of the SARS CoV-2 pandemic has no influence on the Company's going concern in the foreseeable future. Further development of pandemic-related events is currently difficult to foresee and may adversely affect the Company's operations, timeliness of works, and costs incurred. Detailed information is presented in note 50 of the condensed consolidated financial statements for the 6-month period ended June 30, 2020 and in points 1.5 and 7 of this report on the activities of the Trakcja Capital Group.

2.5 Information relevant for the assessment of the Group's employment, assets, financial condition and performance and any changes therein, as well as information relevant for the assessment of the Group's ability to meet its obligations

In condensed consolidated financial statements and this report on the activities of Trakcja Group for the first half of 2020, there are no other information relevant to the assessment of the staff, property, financial situation, financial results of the Group and their changes, or to assess the Group's ability to meet its obligations.

On May 8, 2020 the Company's Management Board adopted a resolution to:

- allot all 11,764,705 Series F secured registered bonds convertible into Series D shares of the Company with a nominal value of PLN 1.70 per share, with a total nominal value of PLN 19,999,998.50 and an issue price equal to the par value ("Series F Bonds") to Agencja Rozwoju Przemysłu S.A. ("ARP") and

- allot all 4,514,405 Series G unsecured registered bonds convertible into Series D shares of the Company with a nominal value of PLN 1.70 per share, with a total nominal value of PLN 7,674,488,50 and an issue price equal to the par value ("Series G Bonds") to COMSA S.A.U ("Comsa").

Series F Bonds and Series G Bonds were issued at an issue price equal to their par value. The Series F Bonds are secured with collateral indicated in the Terms and Conditions of Issue of Series F Bonds, including in particular a highest-ranking contractual mortgage on the Company's real property located in Bieńkowice established in favour of the mortgage administrator. In addition, the Company submitted representations on submission to enforcement under Article 777 § 1(5) of the Code of Civil Procedure for the benefit of the ARP concerning all of the Company's assets and for the

benefit of the collateral administrator concerning the mortgaged property. Series G bonds are unsecured and are subject to contractual subordination in accordance with the Intercreditor Agreement.

The bonds bear interest based on 1M WIBOR plus an agreed margin. Interest will be accrued and paid on a monthly basis, with interest on Series G Bonds to be paid at the earliest upon redemption of Series G Bonds. The Bonds redemption date is December 30, 2022. The Bonds may be redeemed early in cases provided for by law, as well as in the event of occurrence of circumstances that are typical for this type of bonds, as set out in the Terms and Conditions of issue of Series F Bonds and Series G Bonds. The Bonds were issued pursuant to Article 33 (2) of the Bond Act. The issue of bonds constitutes an element of the long-term financing, as notified by the Company in the Report on Long-Term Financing.

In addition, on June 30, 2020, the “Remuneration Policy for the Members of the Management Board and Supervisory Board” was adopted pursuant to the resolution no. 28 of the Ordinary General Meeting of Trakcja.

3. Information on shareholders and shares

3.1 Shareholders held, directly or through subsidiaries, at least 5 per cent of the total number of votes at the General Meeting of Shareholders of Trakcja S.A.

As at June 30, 2020 and as on the day of the publication of this report, the Company's share capital, in compliance with the entry into the National Court Register, amounted to PLN 69,160,780.80 and consisted of 51,399,548 series A ordinary bearer shares and 10,279,909 series B ordinary bearer shares and also 24,771,519 series C registered shares with a par value of PLN 0.80 per share. Each share gives the right to one vote at the Company's General Meeting of Shareholders.

According to the knowledge of the Parent Company's Management Board, on the grounds of the received notifications stipulated in Article 69 of the Act on Public Offering and Conditions of Financial Instruments Introduction into an Organised Trading System and on Public Companies, the structure 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 as on the day of submitting this report, is as follows:

Shareholders	Number of shares	% in share capita	Number of votes	% in votes at GSM
COMSA S.A.	28 399 145	32,85%	28 399 145	32,85%
Agencja Rozwoju Przemysłu	16 117 647	18,64%	16 117 647	18,64%
OFE PZU "Złota Jesień"*	8 332 694	9,64%	8 332 694	9,64%
Other	33 601 490	38,87%	33 601 490	38,87%
Total	**86 450 976**	**100,00%**	**86 450 976**	**100,00%**

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

From the date of submission of the last periodical report, i.e. on May 26, 2020, the Parent Company did not receive any other notifications from shareholders informing about a change in the share in the total number of votes in the Parent Company.

3.2 Shares of Trakcja S.A. held by members of the management and supervisory bodies

From the date of publication of the last quarterly report, i.e. from May 26, 2020, 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.

4. Transactions with related entities

In the first half-year of 2020, all the transactions between the Group members were made at arm's length. Information on the transactions between the Group members is presented in Note 48 to the Condensed Consolidated Financial Statements.

5. Information on sureties for loans or borrowings and on guarantees granted by the Issuer or its subsidiary

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

Beneficiary	Guarantee value, in PLN thousand
PKP Polskie Linie Kolejowe S.A.	561 365
Generalna Dyrekcja Dróg Krajowych i Autostrad	103 060
Wielkopolski Zarząd Dróg Wojewódzkich w Poznaniu	9 985
Gmina Miejska Kraków	9 421
Województwo Pomorskie Zarząd Dróg Wojewódzkich w Gdańsku	8 427
Other	38 122
Total	**730 380**

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

Subcontractor	Guarantee value, in PLN thousand
Krakowskie Zakłady Automatyki S.A.	17 518
MENARD POLSKA Sp. z .o.o.	3 553
Keller Polska Sp. z o.o.	3 168
Bombardier Transportation (ZWUS) Polska Sp.z o.o.	2 583
KOLEJOWE ZAKŁADY AUTOMATYKI S.A.	2 206
Other	29 074
Total	**58 102**

Pursuant to the Common Terms Agreement of 27 September 2019, the Parent Company granted collateral to its subsidiaries (except for the AB Kauno Tiltai Group) in the form of a guarantee of repayment of credits and loans in the total amount of PLN 702,400 thousand; simultaneously, the Parent Company has received from its subsidiaries (except for the AB Kauno Tiltai Group) collateral in the form of a guarantee in the total amount of PLN 702,400 thousand.

6. 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 PRKiI S.A. with its registered office in Warsaw. In connection with the announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (“PNI") with an option of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. with its registered office in Wrocław provided a submission of claims of 20 November 2012 to the bankruptcy court. The submission covered claims in the total amount

of PLN 55,664,100.89, including the principal amount and the interest due up to the declaration of bankruptcy, as well as the accrued contractual penalties.

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

Case against Leonhard Weiss International GmbH

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

The case against Leonhard Weiss International GmbH ("LWI") for payment due under the sale agreement of 50 % of shares in Bahn Technik Wrocław Sp. z o.o. The Parent Company has responded to the lawsuit. At present, it is not possible to precisely indicate the expected date of completion of the case. The 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 17 November 2017 to the payment date,
2) on PLN 12,756,000.00 from 8 December 2017 to the payment date,
3) on PLN 295,495.00 from 8 December 2017 to the payment date.

The Parent Company requested also that the defendant reimburse the Company with the costs of the proceedings, including the costs of legal representation, in accordance with the cost records. At this stage, it is impossible to ectively least estimate the amount of interest and costs of the proceedings which could be ordered to be paid for the benefit of the Company.

Case against ELTRANS sp. z o.o.

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

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

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

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

On May 22, 2019 the Company filed a lawsuit against ALSTAL Grupa Budowlana sp. z o.o. based in Jacewo for the payment of PLN 556,683.00 plus interest as the payment of remuneration for construction works performed as a

contractor within the scope of the project ordered by Tauron Dystrybucja S.A. entitled "Network Management Development in Wrocław".

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

Proceedings against PKP PLK S.A.

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

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

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

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

b) additional works in connection with Contract No. 90/132/336/00/17000031/10/I/I dated 29 November 2010 for the "Design and implementation of the construction works at the railway line Kraków – Medyka – national border, at the section Sędziszów Małopolski – Rzeszów Zachodni under the project "Modernisation of railway line E3/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.3" in the total amount of PLN 2,829,000.00. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On 27 August 2018, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 6,675,193.36 PLN (in words: six million six hundred seventy five thousand one hundred ninety three zlotys and thirty six groszy)

along with statutory interest for delay, as compensation for unjust enrichment of the defendant in the form of unpaid remuneration for the performance of additional works related to the implementation of Agreement No 90/132/121/00/17000031/10/I/I of 16 December 2010 for "Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section in km 111,500 - 133,600 as part of the POIiŚ 7.1-30 project "Modernization of the E30 / CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2 "specified in the Contractor's Applications No. 72 (gas pipeline) and No. 85 (Bystrzyca creek), which constitutes the principal amount of the present claim, i.e. PLN 6,283,547.59 and capitalized interest on the principal for the period from 6 October 2017 to 27 August 2018.The case is at the early stage of proceedings and its resolution date is difficult to predict.

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

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

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

On 3 April 2019, the Company filed a lawsuit for payment against PKP PLK S.A. seeking the amount of 1,320,495.25 PLN (in words: one million three hundred twenty thousand four hundred ninety-five zloty and twenty-five grosz) along with statutory interest for delay, as:

a) reimbursement for additional costs resulting from the extension of the implementation of Agreement No 90/107/0090/15/Z/I for Construction of civil engineering structures on km 160.857; km 155.170 and km 145.650 of railway line No 271 Wrocław – Poznań, as part of the POIiŚ 7.1-5.1 project entitled "Modernization of Railway Line E59 at the Wrocław-Poznań section, Stage III, Czempiń–Poznań section" – as regards the Partial Contract A

– railway viaduct on km 145.650 in Mosina, due to circumstances within the scope of responsibility of PKP PLK S.A.,

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

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

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

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

In the above proceedings, the parties (Trakcja S.A and PKP PLK S.A.) submitted joint applications for a referral to mediation.

On August 5, 2020, the first organizational meeting took place, attended by representatives of the parties, the Mediator, and the Head of the PGRP's Arbitration Court Division. At the meeting, the parties agreed on a schedule of activities to be taken, including submission of materials concerning court proceedings with the reservation that each Party presents its own materials. In addition, information was submitted on claimed liabilities, and a short description of the factual and legal state of existing disputes. Trakcja S.A. and PKP PLK S.A. Agreed the dates of individual meetings with the Mediator: August 27 and 28, 2020. The dates of joint meetings have not been agreed as at the date of publication of this report.

In H1 2020, the Management Board of the Dominating Entity undertook negotiations with PKP PLK to amicably settle court disputes. As at the date of this semi-annual 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 Parent Company along with consortium partners and subcontractors is conducting negotiations with PKP PLK with the participation of the Solicitor's Office of the Republic of Poland at the Arbitration Court in the amount of PLN 139.2

million. (gross amount including interest capitalized as at the date of filing the suit); the amount due to Trakcja is at approximately PLN 106.9 million.Proceedings concerning subsidiaries:

AB Kauno Tiltai

The investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which a subsidiary, AB Kauno Tiltai, is a member, for a total amount of PLN 66,943,358.57 (EUR 14,989,556.33). Pursuant to a decision of the court, this amount was reduced to PLN 4,742,941 (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.

7. Description of basic threats and risks related to the remaining six months of the financial year

The factors that may have a significant adverse impact on the Group's financial condition:

- 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' bunkruptcy,
- 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 50 to the additional information and explanations to the abridged consolidated financial statement),

- 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.

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.

Warszaw, September 16, 2020

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

Robert Sobków

Member of the Management Board

Adam Stolarz

Member of the Management Board

MANAGEMENT BOARD'S STATEMENT

The Management Board of Trakcja S.A. declares that to the best of his knowledge:

- the condensed consolidated financial statements of Trakcja Group for a of 6-month period ended June 30, 2020 and the comparable data, have been drawn up in compliance with the accounting principles in force and reflect the Group's assets and financial condition as well as its financial performance in a true, reliable and clear manner.

- the condensed financial statements of Trakcja for a of 6-month period ended June 30, 2020 and the comparable data, have been drawn up in compliance with the accounting principles in force and reflect the Company's assets and financial condition as well as its financial performance in a true, reliable and clear manner.,

- the report of the Management Board on the activities of Trakcja Group for a of 6-month period ended June 30, 2020 and the comparable data, presents a true picture of the Group's development, achievements, risks, threats and condition.

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Arkadiusz Arciszewski

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Robert Sobków

Member of the Management Board

Adam Stolarz

Member of the Management Board

Warsaw, September 16, 2020

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

INDEPENDENT AUDITOR'S REVIEW REPORT

ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SHAREHOLDERS AND SUPERVISORY BOARD OF TRAKCJA S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of the Trakcja Group, where the parent company is TRAKCJA S.A. with its registered office in Warsaw at al. Jerozolimskie 100 ("the Company", "the Parent Company"), comprising the consolidated balance sheet prepared as at 30 June 2020, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the period from 1 January 2020 to 30 June 2020, and condensed notes and explanatory information ("interim condensed consolidated financial statements").

The Parent Company's Management is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* announced in the form of European Commission regulations.

Our responsibility is to form a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

We performed the review in accordance with National Standard on Auditing 2410 in the wording of International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* adopted in a resolution passed by the National Council of Certified Auditors.

A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing in the wording of International Standards on Auditing. In consequence, a review is not sufficient to obtain assurance that all significant matters that might be identified in an audit, have been identified. Accordingly, we do not express an audit opinion on the accompanying interim condensed consolidated financial statements.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* announced in the form of European Commission regulations.

Explanatory Paragraph – Significant Uncertainty Relating to Going Concern

We draw your attention to Note 50 "Risk to the Parent Company's going concern and actions undertaken and planned by the Parent Company's Management" to the interim condensed consolidated financial statements, which indicates that in the period ended 30 June 2020 the Company incurred a net loss of PLN 23 017 thousand and as at the balance sheet date shows PLN 94 718 thousand in overdue liabilities that it is whenever possible paying from its current income. In addition, the note points to the existence as of the date of this report of a risk that the Company and Trakcja Group will fail to reach the values of financial covenants it had committed to achieve and maintain in a long-term financing agreement concluded on 27 September 2019. In view of the above, after the balance sheet date, on 10 September 2020, the Company submitted a request to its lenders to change the financial covenant verification dates. As of the date of this report the Company has not received a response to its request.

The Company's Management prepared its financial statements on a going concern basis. The Company's ability to continue as a going concern depends on effective realization of the financing gap covering process. Failure to achieve the anticipated effects of the actions undertaken with regard to additional financing and claim negotiations could threaten the Company's ability to continue as a going concern. As stated in Note 50, the above indications along with other information described in the note point to the existence of significant uncertainty, which may give rise to serious doubts as to the Company's ability to continue as a going concern. Our conclusion does not include a qualification in this area.

BDO spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw
entered on the list of audit firms in number **3355**

on behalf of which the review
of financial statements was performed by

Krzysztof Maksymik
Certified Auditor No. 11380

Dr. André Helin
Managing Partner of the General Partner
Certified Auditor No. 90004

Warsaw, 16 September 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SHAREHOLDERS AND SUPERVISORY BOARD OF TRAKCJA S.A.

Introduction

We have reviewed the accompanying interim condensed financial statements of TRAKCJA S.A. with its registered office in Warsaw at al. Jerozolimskie 100 ("the Company"), comprising the balance sheet prepared as at 30 June 2020, the profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period from 1 January 2020 to 30 June 2020, and notes and explanatory information ("interim condensed financial statements").

The Company's Management is responsible for the preparation and presentation of the interim condensed financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* announced in the form of European Commission regulations.

Our responsibility is to form a conclusion on the interim condensed financial statements based on our review.

Scope of Review

We performed the review in accordance with National Standard on Auditing 2410 in the wording of International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* adopted in a resolution passed by the National Council of Certified Auditors.

A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing in the wording of International Standards on Auditing. In consequence, a review is not sufficient to obtain assurance that all significant matters that might be identified in an audit, have been identified. Accordingly, we do not express an audit opinion on the accompanying interim condensed financial statements.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* announced in the form of European Commission regulations.

Explanatory Paragraph – Significant Uncertainty Relating to Going Concern

We draw your attention to Note 4 "Risk to going concern and actions undertaken and planned by the Management" to the interim condensed financial statements, which indicates that in the period ended 30 June 2020 the Company incurred a net loss of PLN 23 017 thousand and as at the balance sheet date shows PLN 94 718 thousand in overdue liabilities that it is whenever possible paying from its current income. In addition, the note points to the existence as of the date of this report of a risk that the Company and Trakcja Group will fail to reach the values of financial covenants it had committed to achieve and maintain in a long-term financing agreement concluded on 27 September 2019. In view of the above, after the balance sheet date, on 10 September 2020, the Company submitted a request to its lenders to change the financial covenant verification dates. As of the date of this report the Company has not received a response to its request.

The Company's Management prepared its financial statements on a going concern basis. The Company's ability to continue as a going concern depends on effective realization of the financing gap covering process. Failure to achieve the anticipated effects of the actions undertaken with regard to additional financing and claim negotiations could threaten the Company's ability to continue as a going concern. As stated in Note 4, the above indications along with other information described in the note point to the existence of significant uncertainty, which may give rise to serious doubts as to the Company's ability to continue as a going concern. Our conclusion does not include a qualification in this area.

BDO spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw
entered on the list of audit firms in number **3355**

on behalf of which the review
of financial statements was performed by

Krzysztof Maksymik
Certified Auditor No. 11380

Dr. André Helin
Managing Partner of the General Partner
Certified Auditor No. 90004

Warsaw, 16 September 2020