CONSOLIDATED ANNUAL REPORT
OF TRAKCJA CAPITAL GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

We change the vision into reality

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Management Board of Trakcja S.A. approved the consolidated annual financial statements of Trakcja Capital Group for the period from 1 January 2020 to 31 December 2020

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

1. Consolidated income statement for the period from 1 January 2020 to 31 December 2020 showing a net loss of PLN **109,986** thousand.
2. Consolidated statement of comprehensive income for the period from 1 January 2020 to 31 December 2020, showing negative total comprehensive income of PLN **86,965** thousand
3. Consolidated balance sheet as at 31 December 2020, showing the total assets and total equity and liabilities of PLN **1,477,756** thousand.
4. Consolidated statement of cash flows for the period from 1 January 2020 to 31 December 2020, showing a decrease in net cash flows by PLN **28,445** thousand.
5. Consolidated statement of changes in equity for the period from 1 January 2020 to 31 December 2020, showing a decrease in consolidated equity by PLN **88,368** thousand.
6. Notes

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

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

Marcin Lewandowski
President of the Management Board

Paweł Nogalski
Vice-President of the Management Board

Arkadiusz Arciszewski
Vice-President of the Management Board

Aldas Rusevičius
Vice-President of the Management Board

Robert Sobków
Member of the Management Board

Adam Stolarz
Member of the Management Board

Warsaw, April 15, 2021

TABLE OF CONTENTS

(figures in PLN '000, unless stated otherwise)

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31.12.2020 Audited	Year ended 31.12.2019 Modified*
Continued operations			
Sales revenue	14	1 338 982	1 440 774
Cost of goods sold	15	(1 327 676)	(1 511 681)
Gross profit (loss) on sales		**11 306**	**(70 907)**
Cost of sales, marketing and distribution	15	(5 916)	(5 758)
General and administrative costs	15	(60 919)	(64 026)
Other operating revenues	16	11 109	6 695
Other operating costs	17	(7 008)	(16 212)
Goodwill impairment	25	(38 735)	(138 182)
Operating profit (loss)		**(90 163)**	**(288 390)**
Financial revenues	18	623	3 941
Financial costs	19	(30 318)	(28 920)
Gross profit (loss)		**(119 858)**	**(313 369)**
Income tax	20	9 872	28 321
Net profit from continued operation		**(109 986)**	**(285 048)**
Net profit for the period		**(109 986)**	**(285 048)**
Attributable to:			
Shareholders of Parent entity		(109 785)	(285 430)
Non-controlling interest		(201)	382
Profit per share attributable to shareholders in the period (PLN per share)			
Basic	22	(1.27)	(5.24)
Diluted	22	(1.12)	(5.24)

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

(figures in PLN '000, unless stated otherwise)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31.12.2020 Audited	Year ended 31.12.2019 Audited
Net profit for the period		**(109 986)**	**(285 048)**
Other comprehensive income:			
Other net comprehensive income that will not be reclassified into profit or loss under certain conditions:		**134**	**1 367**
Profit from revaluation referred into revaluation reserve		-	1 273
Actuarial gains/(losses)	39	134	94
Other net comprehensive income that will be reclassified to profit or loss:		**22 887**	**(3 347)**
Foreign exchange differences on translation of foreign operations		22 887	(1 842)
Cash flow hedging instruments		-	(1 505)
Total other comprehensive income		**23 021**	**(1 980)**
Total comprehensive income for the period		**(86 965)**	**(287 028)**
Attributable to:			
Shareholders of Parent entity		(87 153)	(288 279)
Non-controlling interest		188	1 251

(figures in PLN '000, unless stated otherwise)

CONSOLIDATED BALANCE SHEET

	Note	31.12.2020 Audited	31.12.2019 Audited
ASSETS			
Non-current assets		**581 319**	**596 366**
Tangible non-current assets	23	285 257	286 228
Intangible assets	26	52 261	51 389
Goodwill from consolidation	25	138 537	168 983
Investment properties	24	26 587	22 447
Investments in other units		27	25
Other financial assets	27	6 425	6 202
Deferred tax assets	20.3	63 607	54 755
Long-term receivables		104	158
Prepayments	29	8 514	6 179
Current assets		**896 437**	**887 954**
Inventory	30	113 145	135 390
Trade and other receivables	31	420 101	399 749
Income tax receivables		968	-
Other financial assets	27	4 640	12 699
Cash and cash equivalents	32	136 178	107 473
Prepayments	29	13 095	16 574
Contracts with customers assets	34	203 273	211 032
Assets held for sale	35	5 037	5 037
TOTAL ASSETS		**1 477 756**	**1 484 320**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of Parent entity	37	**331 594**	**420 243**
Share capital		69 161	69 161
Share premium		-	340 561
Revaluation reserve		7 082	7 082
Other capital reserves		329 955	276 188
Retained earnings		(109 785)	(285 430)
Foreign exchange differences on translation of foreign operations		35 181	12 681
Non-controlling interest	37	**5 522**	**5 241**
Total equity		**337 116**	**425 484**
Long-term liabilities		**340 847**	**232 816**
Interest-bearing loans and borrowings	40	281 152	207 857
Bonds	41	27 832	-
Provisions	38	21 355	14 093
Liabilities due to employee benefits	39	3 690	4 094
Provision for deferred tax	20.3	4 998	6 727
Derivative financial instruments		-	8
Deferred revenue	45	1 792	-
Other financial liabilities	42	28	37
Short-term liabilities		**799 793**	**826 020**
Interest-bearing loans and borrowings	40	86 131	153 790
Bonds	41	194	-
Trade and other liabilities	43	436 658	408 766
Provisions	38	53 706	94 773
Liabilities due to employee benefits	39	16 468	13 574
Income tax liabilities		-	238
Other financial liabilities	42	112	123
Accruals	45	5 973	506
Contracts with customers liabilities	34	200 551	154 250
Total equity and liabilities		**1 477 756**	**1 484 320**

(figures in PLN ‘000, unless stated otherwise)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31.12.2020 Audited	31.12.2019 Audited
Cash flows from operating activities			
Gross profit from continued operations		**(119 858)**	**(313 369)**
Adjustments for:		**157 032**	**123 261**
Depreciation		37 728	38 076
FX differences		3 097	(431)
Net interest and dividends		16 349	13 124
Profit on investment activities		36 829	138 758
Change in receivables	33	(13 879)	(80 180)
Change in inventory	33	30 753	(52 077)
Change in liabilities, excluding loans and borrowings	33	18 606	26 607
Change in prepayments and accruals	33	3 482	(2 998)
Change in provisions	33	(34 787)	36 896
Change in settlements from contracts	33	54 375	10 178
Change in financial derivatives		-	1 752
Income tax paid		(2 384)	(2 571)
Other		2 004	(7 134)
Foreign exchange differences on translation of foreign operations		4 859	3 261
Net cash flows from operating activities		**37 174**	**(190 108)**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(4 112)	(13 577)
- acquisition		(8 048)	(15 125)
- sale		3 936	1 548
Sale (acquisition) of shares and stocks		-	13 857
- acquisition		-	(1 530)
- sprzedaż		-	15 387
Financial assets		6 171	4 114
- sold or repaid		10 296	21 976
- granted or acquired		(4 125)	(17 862)
Interest received		213	207
Net cash flows from investment activities		**2 272**	**4 601**
Cash flows from financial activities			
Proceeds from payment to capital of a subsidiary from holders of non-controlling interest		-	38 551
Repayment of bonds		20 000	-
Proceeds on account of taken borrowings and loans		21 400	255 028
Repayment of borrowings and loans		(15 689)	(79 184)
Dividend paid to non-controlling interests		(4)	(3)
Interest paid		(14 983)	(14 028)
Payment of liabilities under financial lease agreements		(21 735)	(24 055)
Other		10	(16)
Net cash flows from financial activities		**(11 001)**	**176 293**
Total net cash flows		**28 445**	**(9 214)**
Cash at start of period		**107 461**	**116 675**
Cash at end of period	**32**	**135 906**	**107 461**
- with limited access		272	12

Cash excluded from the statement of cash flows as of 31 December 2020 and 31 December 2019 comprises cash blocked on the property development project accounts in the amount of PLN 272 thousand.

(figures in PLN '000, unless stated otherwise)

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 interest	Total equity
				Share premium account	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2020 Audited	**69 161**	**340 561**	**7 082**	**-**	**(1 152)**	**277 340**	**12 681**	**(285 430)**	**420 243**	**5 241**	**425 484**
Net profit for the period	-	-	-	-	-	-	-	(109 785)	(109 785)	(201)	(109 986)
Other comprehensive income	-	-	-	-	132	-	22 500	-	22 632	389	23 021
Total comprehensive income	**-**	**-**	**-**	**-**	**132**	**-**	**22 500**	**(109 785)**	**(87 153)**	**188**	**(86 965)**
Reclassification in accordance with the resolution of the General Meeting	-	(340 561)	-	340 561	-	-	-	-	-	-	-
Distribution of profit	-	-	-	(70 920)	-	(214 510)	-	285 430	-	-	-
Issue of bonds convertible into shares	-	-	-	-	-	178	-	-	178	-	178
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(4)	(4)
Other	-	-	-	-	-	(1 674)	-	-	(1 674)	97	(1 577)
As at 31.12.2020 Audited	**69 161**	**-**	**7 082**	**269 641**	**(1 020)**	**61 334**	**35 181**	**(109 785)**	**331 594**	**5 522**	**337 116**

(figures in PLN '000, unless stated otherwise)

	Equity attributable to shareholders of Parent entity										
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign	Retained earnings	Total	Non-controlling interest	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 comprehensive income	**-**	**-**	**1 273**	**(1 476)**	**92**	**-**	**(2 738)**	**(285 430)**	**(288 279)**	**1 251**	**(287 028)**
Distribution of profit	-	-	-	-	-	(111 006)	-	111 006	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	(421)	-	(421)	-	(421)
Other	-	-	41	-	-	111	-	-	152	-	152
As at 31.12.2019 Audited	**69 161**	**340 561**	**7 082**	**(4 635)**	**(1 152)**	**281 975**	**12 681**	**(285 430)**	**420 243**	**5 241**	**425 484**

Notes

1. General information

These consolidated financial statements of the Group cover the financial year ended December 31, 2020 and the comparable data.

Trakcja Group ("Group") consists of the Parent Company, namely Trakcja S.A. ("Trakcja", "Parent Company" or "Company") and its subsidiaries.

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

On June 22, 2011 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the company name from Trakcja Polska S.A. to Trakcja – Tiltra S.A. The above change was registered pursuant to Resolution No. 3 adopted by the Company's Extraordinary General Meeting on November 27, 2013.

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 of Shareholders on December 12, 2012.

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

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

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

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

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

Both the Parent Company and the entities that are members of the Group are established for an indefinite period of time.

According to the Articles of Association, the Parent Company renders specialist construction and assembly services within the scope of railway and tram lines electrification. The Company specialises in the following types of activity

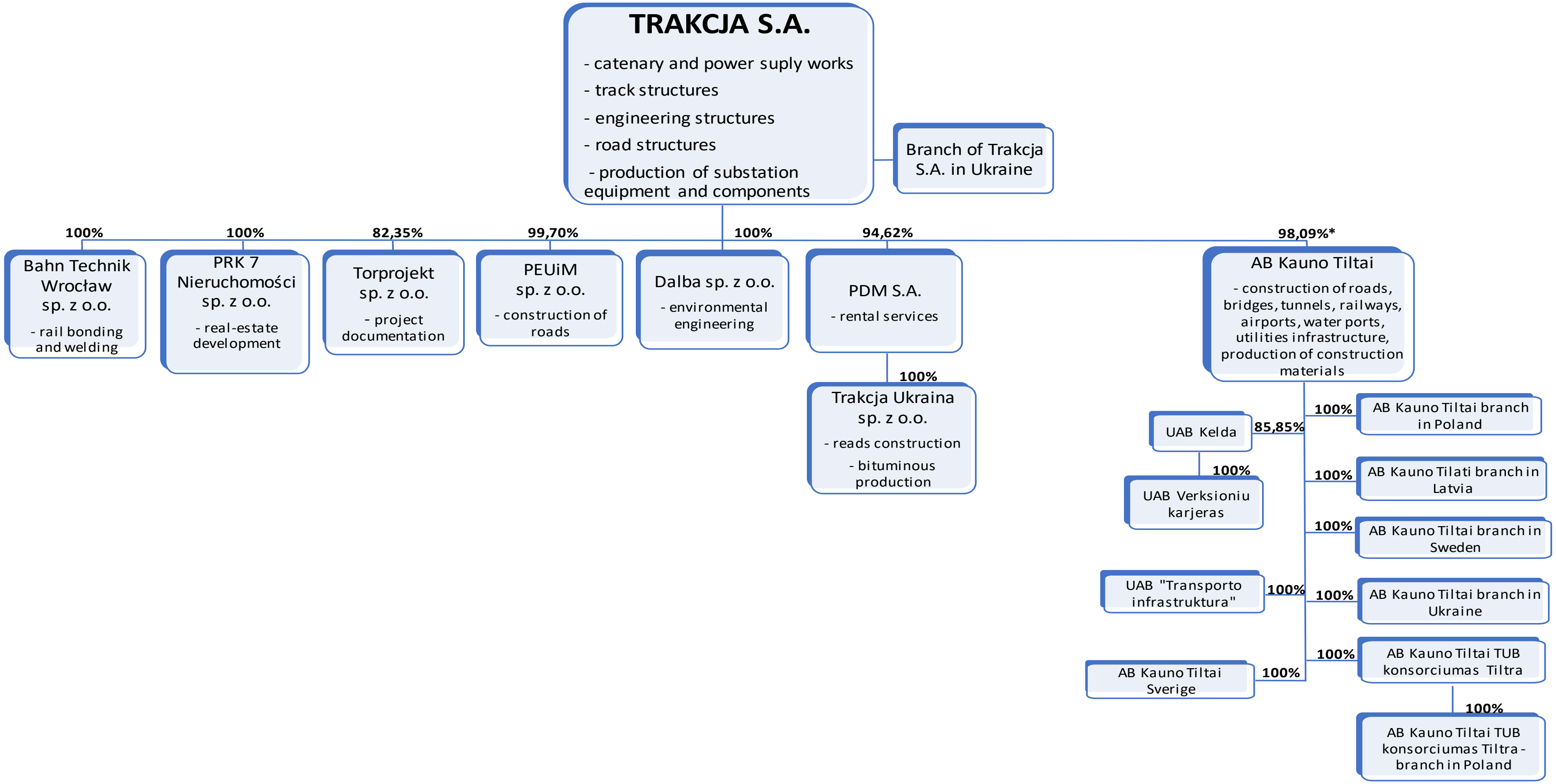
- Construction and overhaul of rail tracksfoundation and network works,
- installation of traction substations and section cabs,
- installation of high and low voltage overhead and cable lines
- installation of local supply and control cables
- manufacturing of products (high, medium and low voltage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

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

These consolidated financial statements were approved by the Group's Management Board on April 15, 2021.

2. Composition of the Group

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



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

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

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

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

Trakcja owns 100% of the share capital of Bahn Technik Wrocław sp.z o.o. ("BTW").

The BTW's business activities include thermite welding, repairing and renovating turnouts, renovating railway and tramway crossings, providing pre-stressed, glued insulation joints type S, welding tram and railway tracks, tamping and profiling railway and tramway tracks, and selling Perker SR rail lubrication systems. In addition, since December 2015, BTW has had a GOTTWALD crane and a DGS track stabilizer

PRK 7 Nieruchomości sp. z o.o.

PRK 7 Nieruchomości Sp. z o.o. carries out real estate development activities and has a track record of several successful investment projects, which include, in particular, Lazurowe Osiedle residential project in Warsaw (stage I and II) and the project at ul. Oliwska in Warsaw, as well as the construction of five multi-family residential buildings in Warsaw at ul. Pełczyńskiego. The Company carries out the renovation of the library of the University of Warsaw.

Torprojekt sp. z o.o.

Torprojekt Sp. z o.o. with its registered office in Warsaw was established in 2009. The company specialises in preparing comprehensive project documentation, including feasibility studies, concepts, basic designs, also construction designs, tender documents and detailed designs in the following areas: railway lines, stations, nodes, passenger stops and loading points, bridges, overpasses, railway traffic control devices, buildings and structures, including technology, etc.

Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o. („PEUiM")

PEUiM operates in the road construction sector and its business activities are concentrated in the north-east of Poland. The company was established in Białystok in 1960. PEUiM specialises in the construction of roads and pavements, and in the installation of signalling and safety devices to secure the roads. The company also manufactures bituminous mass, concrete and other building materials.

Dalba sp. z o.o.

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

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

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

It provides equipment, premises and tool rental services to external companies and supplies PEUiM with materials. The Company has additionally broadened its activities by the solicitation of employees, primarily from the Eastern European market.

Trakcja S.A. branch in Ukraine

On March 3, 2017 Trakcja S.A. opened a branch in Ukraine

Trakcja Ukraina sp. z o.o.

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

AB Kauno Tiltai Group

AB Kauno Tiltai is the largest company in the road and bridge construction sector in the Baltic countries. It specializes in the construction and reconstruction of roads, bridges, tunnels, railways, airports, water ports, which is demonstrated, inter alia, by the fact that since its establishment, i.e. since 1949, AB Kauno Tiltai has constructed over 100 bridges and viaducts and has been responsible for constructing and reconstructing numerous roads in Lithuania.

AB Kauno Tiltai with its registered office in Kaunas is a subsidiary of the Parent Company, Trakcja S.A., and simultaneously the parent company in AB Kauno Tiltai Group.

AB Kauno Tiltai Group is composed of the following entities:

- UAB Kelda – a subsidiary with its registered office in Vievis (Lithuania); the company's subsidiary is:

  – UAB Verksioniu karjeras – a subsidiary with its registered office in Bagoteliu K (Lithuania);

- UAB Taurakelis in liquidation - a subsidiary with its registered office in Tauragé (Lithuania);
- UAB Kedainiu Automobiliu Keliai in liquidation - a subsidiary with its registered office in Kédainiai (Lithuania);
- TUB Konsorciumas Tiltra - – a subsidiary with its registered office in Kaunas (Lithuania);
- AB Kauno Tiltai Branch in Poland- a branch of AB Kauno Tiltai with its registered office in Białystok (Poland);
- AB Kauno Tiltai Branch in Latvia- a branch of AB Kauno Tiltai with its registered office in Rēzekne (Latvia);
- AB Kauno Tiltai Branch in Ukraine- a branch of AB Kauno Tiltai with its registered office in Kiev (Ukraine);
- AB Kauno Tiltai Branch in Sweden- – a branch of AB Kauno Tiltai with its registered office in Norsborg (Sweden);
- AB Kauno Tiltai Sverige - – a subsidiary with its registered office in Malmö (Sweden);
- AB Kauno Tiltai TUB konsorciumas Tiltra - branch in Poland
- UAB "Transporto infrastruktura" - a subsidiary with its registered office in Vilnius (Lithuania).

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

3. Changes in the Group's structure and their consequences

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

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

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

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

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

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

On March 9, 2021, in line with the decision of October 20, 2020, the liquidation process of UAB Taurakelis and UAB Kedainiu Automobiliu Keliai, which formed a part of the AB Kauno Tiltai Group, was completed.

4. Parent Company's Management Board

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

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

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

5. Parent's Company Supervisory Board

As at 31 December 2020 the Parent 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

After the balance sheet date there have been no changes to the composition of the Supervisory Board.

6. Approval of the consolidated annual financial statements for publication

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

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

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

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

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

- reflect the economic substance of transactions,

- are objective,

- conform to the principles of prudent valuation and

- are complete in all material respects.

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

7.1. Professional judgement

Fair value of financial instruments

The fair value of financial instruments for which no active market exists is determined by means of appropriate valuation methods. In selecting appropriate valuation methods and assumptions, the Group relies on professional judgement. The underlying assumptions are presented in Note 46. In 2019, the Company did not change the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

Investment property

The Group classifies properties into the category of property, plant and equipment, inventories or investment properties depending on their intended use by the Group.

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.

Control over related entities

The parent controls a subsidiary when it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent Company's Management Board states that it exercises control over individual entities based on the following:

Trakcja is the sole shareholder in PRK 7 Nieruchomości Sp. z o.o. and has control over the subsidiary. Trakcja has become the shareholder in PRK 7 Nieruchomości as a result of the merger between Trakcja and PRK 7 S.A. which in turn owned PRK 7 Nieruchomości Sp. z o.o.

Trakcja holds 100% of shares in Bahn Technik Wrocław Sp. z o.o. and has full control over the subsidiary. Trakcja S.A. has become the shareholder in BTW through the acquisition of the remaining 50% of shares therein on 30 December 2016. Trakcja has become the owner of BTW through the acquisition of its shares.

Trakcja holds 82.35% of shares in Torprojekt Sp. z o.o. and has full control over the subsidiary. Trakcja has become the owner of Torprojekt Sp. z o.o. through the acquisition of its shares.

Trakcja holds 99.70% of shares in PEUiM. Sp. z o.o. and has full control over the subsidiary. Trakcja has become the owner of PEUiM Sp. z o.o. through the acquisition of shares.

Trakcja holds 100% of shares in Dalba Sp. z o.o. and has full control over the subsidiary. Trakcja has become the owner of Dalba through the acquisition of its shares.

Trakcja holds 94.62% of shares in PDM Białystok S.A. and has full control over the subsidiary. Trakcja has become the owner of PDM Białystok through the acquisition of its shares.

Trakcja holds 98.09% of shares in AB Kauno Tiltai and has control over the subsidiary. Trakcja has become the owner of AB Kauno Tiltai, which is the parent company of AB Kauno Tiltai Group, through the acquisition of its shares. The Group's composition and shareholdings are presented in Note 2 on the Group composition and structure.

Classification of joint contractual arrangements

Based on an analysis of an agreement, the 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.

7.2. Uncertainty of estimates and assumptions

Evaluation of long-term construction contracts

The Parent Company evaluates long-term construction contracts by employing the method based on expenditure, according to which revenues are recognized on the basis of incurred costs against the total expected expenditure necessary for the performance obligation. The budgets of the various contracts are subject to the formal process of revaluation on the basis of current information, however not more often than once per quarter. Where the incurred expense is not proportionate to the degree of fulfilling the performance obligation, in order to better reflect the degree of fulfilling the obligation, the Parent Company adapts the method based on expenditure in such a manner so as to recognize only such revenues which correspond to the incurred costs.

Where the Group is not able to make a reasonable measurement of the results of fulfilling and performance obligation, then the revenues obtained under the contract in question are recognized only up to the incurred costs, which the Parent Company expects to recover.

Separation of non-lease components

The Group assesses whether the contract includes lease and non-lease components. Non-lease components, such as maintenance fees in contracts for lease of premises, or service maintenance of components of assets constituting the subject of the contract, are then separated from contracts that included lease and non-lease components. However if the contract covers non-lease elements which the Group deems insignificant in the light of the entire contract, the Group shall apply a simplification consisting in joint treatment of lease and nonlease 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. This value is assessed on an individual basis and may be increased or decreased as appropriate. Any changes in these assumptions will affect the amount of the provisions. The carrying amount of the provisions for additional works as at 31 December 2020 is presented in Note 38 of the Notes.

Provisions for contractual penalties

The Group recognises provisions for contractual penalties in relation to any contracts under completion in the amounts in which they may and are likely to be imposed. Provisions are recognised based on the documentation regarding the contract completion and on the opinion of lawyers who participate in the ongoing negotiations and estimate the Group's potential future liabilities on the basis of their course. The carrying amount of the provisions for contractual penalties as at 31 December 2020 is presented in Note 38 of the Notes.

Measurement of employee benefit liabilities

Employee benefit liabilities for retirement benefits and jubilee bonuses in the current period are estimated on the basis of actuarial methods which take into account amendments to the remuneration regulations made on 21 September 2020. On 21 September 2020, the Company's Management Board, following consultations with the trade unions operating within the Company, adopted new Wage Rules of Trakcja S.A. The new Wage Rules have provided for the modification of, inter alia, the system of long-service awards and retirement benefits. The modification of the Rules resulted in changes in the evaluation of obligations concerning employee benefits on 30 September 2020. The amount of the obligation (liability) is contingent on numerous factors, which are used as premises under the actuarial method. One of the basic premises for determining the amount of the liability (obligation) is the discount rate and the average expected rise in wages.

Deferred tax asset

The Group recognises deferred tax asset based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. If taxable income deteriorates in the future, this assumption may prove invalid. The Parent Company's Management Board reviews its estimates regarding the likelihood of recovering deferred tax assets taking into account changes in the factors on which such estimates were based, new information and past experience. The likelihood that deferred tax assets will be utilised against future taxable profits is based on budgets of the Group companies. Deferred tax assets are recognised by the Group companies to the extent that it is probable that taxable profit will be generated which will enable the deductible temporary differences to be offset. 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. The carrying amount of the deferred tax assets as at 31 December 2020 is presented in Note 20.3 of the Notes.

Depreciation rates

Depreciation rates are set based on the anticipated useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates.

Investment property

Investment property is measured at fair value. The value of investment properties is determined by independent appraisers who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Company followed the principles set forth in IFRS 13 and in the Real Estate Management Act and also in the Regulation of the Council of Ministers on the detailed principles of property appraisal and rules and method for preparing appraisal reports. Fair value of investment property was measured by way of applying measurement techniques that require a maximum use of observable data. The detailed information and carrying amount of the investment property as at 31 December 2020 is provided in Note 24 of the Notes.

Impairment of goodwill

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 carried out require estimation of the value in use of the cash-generating units ("CGU") based on their future cash flows, which were subsequently discounted to their present value using a discount rate. Goodwill was tested for impairment as at 31 December 2020. As a result of the tests performed as at 31 December 2020, an impairment loss on goodwill was recognised in the amount of PLN 38,735 thousand. Assumptions and essential information on the tests performed are provided in Note 25 of the Notes.

Impairment of inventories

The Management Board assesses whether there are any indications that inventories may be impaired, in accordance with Note 9.13. The determination of impairment requires the estimation of the net realisable value of inventories that have become obsolete or are no longer suitable for use. For additional information, see Note 30.

Expected credit loss and impairment of trade and other receivables

Pursuant to IFRS 9, the Group recognises a loss allowance for expected credit losses on trade and other receivables. For trade receivables, the Group 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 Group recognises an allowance for 12-month expected credit losses if the credit risk is low or has not increased significantly since initial recognition of receivables in the balance sheet and at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. The change in the impairment allowance for trade and other receivables is presented in Note 30.

Fair value measurement and measurement procedures

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.

Information on valuation techniques and inputs used to measure the fair value of particular assets and liabilities is disclosed in Notes 24, 46 and 47.

8. Basis for preparation of the consolidated annual financial statements

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

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

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

These consolidated annual financial statements have been prepared on the assumption that the Company would continue as a going concern in the foreseeable future. As at the date of authorisation of these consolidated financial statements, there are no circumstances which would indicate a threat to the Group continuing as a going concern. For details, see Note 11 to these financial statements.

Moreover, for the purpose of financial reporting, fair value measurements are categorised into three levels depending on the degree to which the inputs used to measure fair value are observable and their significance to the entire measurement. These levels are as follows:

- Level 1: Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2: Level 2 inputs are inputs other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly,

- Level 3: Level 3 inputs are unobservable inputs for the asset or liability

8.1. Statement of compliance

The consolidated annual financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRSs") approved by the European Union, published and applicable as at 31 December 2020

Any standards other than those that were in force as at 31 December 2020 and were approved by the EU as at the preparation hereof are described in Note 10

The effect of application of new accounting standards and changes in accounting policy is described in Note 10.

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

8.2. Measurement currency and reporting currency

The Polish zloty is the measurement currency of the Parent Company and those of the companies within the Group that are located in Poland, as well as the reporting currency herein. Measurement currencies of the Group's companies that operate abroad are as follows:

- the euro (EUR) for the companies with their registered offices in Lithuania;

- the Swiss crown (SEK) for AB Kauno Tiltai Sverige and a Branch of AB Kauno Tiltai in Sweden with their registered offices in Sweden;

- the Ukrainian hryvnia (UAH) for the establishment of Trakcja and, a Branch of AB Kauno Tiltai in Ukraine and other companies with their registered offices in Ukraine.

(figures in PLN '000, unless stated otherwise)

9. Significant accounting principles

9.1. Principles of consolidation

The consolidated financial statements include the financial statements of Trakcja and the financial statements of its subsidiaries drawn up as at 31 December each year.

Subsidiaries are consolidated from the date when the Group obtains control of them and cease to be consolidated when the control is lost. If the Parent Company loses control of a subsidiary, the consolidated financial statements account for the subsidiary's results for such part of the reporting year in which control was held by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the Parent Company, using uniform accounting principles applied to economic events and transactions of a similar nature.

All the Group's members, except for companies domiciled in Ukraine, Bahn Technik Wrocław sp. z o.o., Dalba sp. z o.o. and PDM S.A. keep their accounts in accordance with the International Accounting Standards. Bahn Technik Wrocław sp. z o.o., Dalba sp. z o.o. and PDM S.A. keep their accounts in accordance with the accounting policies defined in the Accounting Act of 29 September 1994, as amended (the "Act"), and secondary legislation issued thereunder (the "Polish Accounting Standards" or "PAS") and the company Trakcja Ukraina sp. z o.o. keeps accounting books in accordance with Ukrainian law. Their financial figures are restated for the Group's purposes.

All balances and transactions between Group entities, including unrealized profits resulting from transactions within the Group, have been fully eliminated. Unrealized losses are eliminated unless they are evidence of impairment.

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

9.2. Foreign currency translation

The Polish złoty is the functional currency of the Parent Company.

Transactions denominated in foreign currencies are translated by the Group companies into their functional currencies at a relevant exchange rate effective for the transaction date.

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

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

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

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

(figures in PLN '000, unless stated otherwise)

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

As at the balance sheet date, the financial statements of foreign operations are translated into the Polish currency as follows:

- relevant balance sheet items – at the mid-rate quoted by the National Bank of Poland for the balance sheet date, except for items in equity which are translated into PLN at the historical exchange rate from the date of acquisition of control of a foreign operation;
- relevant items of the income statement and the statement of comprehensive income – at the exchange rate being the arithmetic mean of the monthly mid-rates as quoted by the National Bank of Poland for the reporting period;
- relevant items of the statement of cash flows (investing and financing activities) – at the exchange rate being the arithmetic mean of the monthly mid-rates as quoted by the National Bank of Poland for the reporting period. Foreign exchange gains or losses on such translation are recognised in the statement of cash flows as "Exchange differences on translation of foreign operations"

Foreign exchange gains or losses on such translation are recognised directly in the equity as a separate item, i.e. Exchange differences on translation of foreign operations.

Upon disposal of a foreign operation, translation differences accumulated in the equity and relating to that operation are transferred from equity to the income statement (as a reclassification adjustment) when the gain or loss on disposal of such operation is recognised.

9.3. Tangible non-current assets

9.3.1. Non-current assets

Non-current assets are measured at cost less any accumulated depreciation and impairment losses. Non-current assets are initially recognised at cost increased by all costs directly related to their purchase and all costs necessary to bring the asset to the working condition for its intended use. This also includes costs of replacing components of machines and equipment, when incurred, if the recognition criteria are met. Any costs incurred after the non-current asset concerned has been put into operation, such as costs of maintenance or repairs, are recognised directly in profit or loss when incurred.

The carrying amount of non-current assets includes any costs of modernisation; however, any costs of regular and significant overhauls which are necessary to prevent failures and whose value differs significantly in individual reporting periods are recognised as prepayments. Any potential carrying amount of the previous overhaul is derecognised from the carrying amount of the non-current asset concerned.

Non-current assets (except for any land other than used for production of minerals by means of an open-cast method) are depreciated using the straight-line method over their expected useful life. Non-current assets held under finance leases are depreciated according to the method determined by the Company for its own noncurrent assets. However, if the transfer of the ownership title is not certain, non-current assets held under finance leases are depreciated during their expected useful life or their lease term, whichever is shorter.

(figures in PLN '000, unless stated otherwise)

Any non-current assets which are not accepted for use directly, because they need to be assembled or adapter or have any other additional works carried out or expenses incurred, are recognised as non-current assets under construction until they are accepted for use.

Any non-current assets which are unused, withdrawn from use or intended for disposal or sale are measured at the amount no higher than their realisable net sales price.

Non-current assets are depreciated using the straight-line method. The depreciation rates applied reflect the expected useful life of non-current assets.

The expected useful life of non-current assets adopted by the Group is as follows:

- hardware	3 years or a contractual term,
- tools and instrumentation	5 years,
- ground containers	22 years,
- boilers and furnaces	from 14 to 25 years,
- metalwork machinery	from 5 to 14 years,
- gas compressors	from 10 to 20 years,
- power generation devices	13 years,
- heavy-duty building machinery	from 5 to 30 years,
- small equipment and machines	10 years,
- technological wagons	from 14 to 25 years,
- storage, workshop and utility wagons	from 14 to 20 years,
- storage and utility containers	from 5 to 25 years,
- passenger vehicles and delivery vehicles (up to 3.5 t)	from 5 to 7 years,
- trucks (above 3.5 t)	from 5 to 10 years,
- office and social facilities	from 10 to 26 years.

The residual value, useful life and depreciation method of non-current assets are reviewed on an annual basis and changed if necessary, where the change made is effective from the beginning of the next financial year.

A non-current asset can be derecognised from the balance sheet on disposal or when no future economic benefits are expected from its further use. Any gain or loss on derecognition of the non-current asset concerned from the balance sheet (calculated as the difference between the potential net sales proceeds and the carrying amount thereof) is recognised in profit or loss for the period, in which the non-current asset is derecognised.

9.3.2. Non-current assets under construction

Non-current assets under construction are measured at the total amount of costs directly related to their acquisition or manufacturing. This also includes any net financial costs relating to the servicing and collateral of the debt incurred (paid or accrued) in relation to non-current assets under construction until they are put into operation.

Any non-current assets under construction which are discontinued or intended for disposal or sale are measured at the amount no higher than their realisable net sales price.

Non-current assets under construction are depreciated no earlier than after their construction has been completed and they have been put into operation.

Any cost of refurbishing is recognised in the carrying amount of the tangible non-current assets, if the recognition criteria are met.

9.3.3. Leases

In accordance with IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to assess whether the contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether the customer has the following rights, jointly, at his disposal throughout the whole period of time:

a) the right to obtain as a general rule of all economic benefits from the use of the identified asset, and

b) the right to direct the use of the identified asset

The Group recognizes under usufruct in the balance sheet assets and leasing liabilities for all leasing agreements with the exception where IFRS 16 provides for exceptions concerning an exemption of recognition. After initial recognition, the Group recognizes depreciation of the asset under usufruct and interest as regards a leasing liability. Lease payments are apportioned between financial costs and a reduction in the outstanding balance of the lease liability in such a manner as to produce a fixed interest rate on the remaining balance of the liability. Financial costs are recognised directly in profit or loss.

Non-current assets held under finance leases are depreciated according to the method determined by the Company for its own non-current assets. However, if the transfer of the ownership title is not certain, noncurrent assets held under finance leases are depreciated during their expected useful life or their lease term, whichever is shorter

The Group holds the right of perpetual usufruct of land. In keeping with IFRS 16 Lease, the right of perpetual usufruct of land is also classified as a finance lease.

The right of perpetual usufruct of land is recognised as a liability measured using the perpetuity method, including any lease payments made at the commencement date or before that date (also any payment for the acquisition of the right concerned on the market). After the initial recognition, the right of perpetual usufruct

of land, excluding any right of perpetual usufruct of land measured using the perpetuity method, shall be measured at cost, less any accumulated amortisation and accumulated impairment losses, adjusted by any remeasurement of the lease liability.

right of perpetual usufruct of land is depreciated over the period for which it has been granted. This period is 99 years.

9.4. Impairment of non-financial assets

As at the balance sheet date, the Group is required to assess whether there is any indication that an asset may be impaired. If there is an indication that an asset may be impaired or that an annual impairment test needs to be conducted in order to check whether an asset has been impaired, the Group calculates the asset's recoverable amount.

The asset's recoverable value corresponds to the higher of the asset's or cash-generating unit's fair value less any selling costs or the asset's or cash-generating unit's value in use. It is determined for individual assets unless a given asset independently generates no cash flows which are mostly separate from those generated by other assets or a group of assets. If the carrying amount of an asset is higher than its recoverable value, the asset is impaired and an appropriate impairment loss is recognised. For the value in use to be determined, the forecast cash flows are discounted to their present value using a discount rate before tax, which reflects the present market estimation of the value of money in time and a risk typical of a given asset. Impairment losses on assets used in the ongoing business activities are recognised in other operating costs.

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

9.5. Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalised in the cost of the asset in accordance with IAS 23. Any other borrowing costs are recognised in profit or loss when incurred.

9.6. Assets held for sale

This group includes tangible non-current assets and investment properties, if their carrying amount is recovered mainly through their sale, and not through their further use. Assets held for sale are measured by the Group at the lower of the carrying amount and fair value less any costs to sell, and their depreciation is discontinued. Assets held for sale are available for immediate sale in their current state, under the conditions that typically apply to the sale of such assets, their sale is highly likely and their buyer is actively searched for by the Company's management.

Assets classified as held for sale are disclosed in the balance sheet separately from other assets.

9.7. Investment properties

The Group's investment properties include buildings and land held to earn rentals or for capital appreciation. Investment properties acquired in separate transactions are initially measured at cost including transaction costs.

Otherwise, e.g. when acquired as a result of the acquisition of another business entity, they are initially measured at their fair value.

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

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

Fair value can be determined by way of:

- updating it on the basis of valuation carried out by an independent expert with recognised and suitable professional qualifications and experience in evaluating properties with similar location and characteristics;

- analysing data derived from the active market (market prices) of similar investment properties with similar location and in similar condition.

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

Any change in fair value of the investment properties during a given year is recognised in profit or loss. If the Group's asset is transferred to the investment properties, the difference between its fair value and its carrying amount is recognised in revaluation reserve, and any further changes thereto are recognised in profit or loss.

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

9.8. Intangible assets

Intangible assets acquired in a separate transaction are recognised in the balance sheet position at cost. Intangible assets acquired through the acquisition of a business are recognised in the balance sheet at fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, if any

Expenditure incurred on internally generated intangible assets, excluding capitalised development costs, is not capitalised and is charged against profits in the period in which it is incurred.

Intangible assets with definite useful lives are amortised throughout their useful lives and tested for impairment each time there is an indication of impairment. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of future economic benefits embodied in an asset are disclosed by changing the amortisation period or amortisation method, as appropriate, and are accounted for as changes in accounting estimates. Amortisation charges on intangible assets with definite useful lives are recognised in profit or loss in the category that corresponds to the function of a given intangible asset.

Intangible assets with indefinite useful lives and those that are not used are tested for impairment annually at the level of the separate asset or the relevant cash generating unit.

9.8.1. Research and development costs

Research and development costs are recognised in profit or loss as costs when incurred. Any development expenditure incurred as part of a given project is carried forward to the next period, when it is assumed that it will be recovered in the future. After the initial recognition of development expenditure, the historical cost model is applied, according to which assets are recognised at cost less any accumulated amortisation and impairment losses.

Any expenditure carried forward to the next period is amortised over the expected period of revenue generated from sale of a given project.

Development costs are tested for impairment on an annual basis if a given asset has not yet been put into operation or, more frequently, when during the reporting period there is any indication that their carrying amount may be impossible to recover.

As at each balance sheet date, any development costs that are in progress are disclosed in intangible assets as a separate item ("Intangible assets under construction").

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

	Patenty i licencje	**Koszty prac rozwojowych**	**Oprogramowanie komputerowe**
Useful life	In case of patents and licences used under agreements for a definite period, their useful life period adopted includes an additional period for which their use can be extended.	3 years	2 years
Applied amortisation method	Straight-line method	Straight-line method	Straight-line method
Internally generated or acquired	Acquired	Internally generated	Acquired
Impairment tests	Annual	Annual	Annual

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

9.8.2. Goodwill

Goodwill arising on acquisition of a business is initially recognised at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is carried at acquisition cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if there is any indication of impairment. Goodwill is not amortised.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the business combination. Each unit or group of units to which goodwill has been allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be greater than a single operating segment, determined in accordance with IFRS 8 Operating Segments before aggregation.

Impairment of goodwill is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable amount of a cash-generating unit is lower than its

carrying amount, the Group recognises an impairment loss. Impairment losses for goodwill cannot be reversed in subsequent reporting periods. If goodwill comprises a part of a cash-generating unit and the Group sells a part of the cash-generating unit's business, the goodwill pertaining to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on disposal of the part of business. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

9.9. Financial instruments

In accordance with IFRS 9 Financial Instruments, the Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Initial recognition of a financial instrument:

The Group classifies financial assets into relevant category depending on the business model for financial assets management and on the characteristics of the contractual cash flows (SPPI test) for a given financial asset. The analysis of the intra-group agreements and the terms of the other financial instruments did not identify the conditions leading to the failure of the SPPI test. With respect to the business model, all debt financial assets held by the Group are held to collect contractual cash flows.

After initial recognition, the Group measures each financial asset:

- at amortised cost;
- at fair value through other comprehensive income,
- at fair value through profit or loss.

Financial assets measured at amortised cost

The Group measures a financial asset at amortised cost if both of the following conditions are met:

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

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies trade and other receivables, deposits under bank guarantees, loans granted, financial assets under a concession agreement as well as cash and cash equivalents as assets measured at amortised cost.

Following the initial recognition, trade and other receivables are measured at amortised cost using the effective interest rate method, taking into account the expected credit loss, whereby trade and other receivables maturing within less than 12 months from the recognition date (i.e. without a financing component) are not discounted and are measured at their nominal value, less the expected credit loss

The Group uses simplified methods of measurement of financial assets and liabilities measured at amortized cost if it does not distort information included in the statement of financial position, in particular when the period until the repayment of the amount receivable or settlement of the liability does not exceed 90 days.

Financial assets accounted at amortized cost, where the Group applies simplifications, are measured at initial recognition at the amount due, and subsequently, including at the end of the reporting period, at the amount of the payment due less the expected credit loss.

Financial assets measured at fair value through profit or loss

The Group does not hold any equity instruments. The Group recognises derivative instruments not designated for hedge accounting purposes as assets measured at fair value through profit or loss.

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

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

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

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

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

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

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

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

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

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

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

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

For two financial years prior to the year under analysis (T-2 and T-1), the Group determines how many invoices issued during the year were finally paid in each of the brackets. On this basis, the next statement is created – a cumulative statement of total sales on invoices for subsequent periods (how many of the invoices issued in a given year were in the bracket of 0-30 days past due for at least 1 day, how many invoices were in the bracket of 31-60 days for at least 1 day, etc. up to the amount of invoices that were never paid).

The amount of receivables unpaid is applied to each of the aggregated amounts in order to calculate the portion of the receivables in a given bracket that will not be recovered. This percentage is used as the allowance ratio for the bracket. The amount of unpaid receivables may be adjusted either upwards or downwards depending on the Group's expectations concerning future non-recoverable amounts due to trends in the factors affecting the recoverability of receivables. weights are assigned to the allowance ratios for each year under review and the weighted average allowance ratio is calculated for each bracket.

This calculation method ensures calculation of future expected credit losses based on historical loss experience for each age bracket of receivables and enables modification of the allowance ratio for expected changes in the recoverability of receivables.

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

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

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

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

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

Presentation

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

Derecognition of assets

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

- the contractual rights to receive the cash flows from the financial asset expire; the Group has transferred its rights to receive the cash flows from the asset and either (a) it has transferred substantially all risks and rewards of ownership of the financial asset, or (b) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but it has transferred control over the financial asset; or
- the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows in full and without undue delay to a third party under a transfer agreement.

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

9.10. Investments in jointly controlled entities

Since the acquisition of control of Bahn Technik Wrocław Sp. z o.o. on 30 December 2016, the Group has not held any shares in any jointly controlled entities. Until 30 December 2016, the investment was consolidated as a joint venture in accordance with IFRS 11, and currently the Group does not have any significant jointly controlled entities.

9.11. Derivative financial instruments

Derivative financial instruments used by the Group to hedge against currency risk include in particular IRSs. Such derivative financial instruments are measured at fair value. Derivative instruments are recognised as financial assets if their value is positive and as financial liabilities if their value is negative.

Gains or losses from changes in fair value of derivative instruments that do not comply with the hedge accounting criteria are recognised directly in profit or loss.

The fair value of currency IRS contracts is determined by reference to the current interest rates for contracts with a similar maturity date.

9.12. Hedge accounting

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

After the initial recognition, the entity measures a financial asset or liability at fair value corresponding to the amount for which an asset may be exchanged or liability settled between knowledgeable, willing parties at arm's length

Cash flow hedges which meet the conditions for applying hedge accounting are recognised as follows:

- the portion of the gain or loss on the hedging instrument that is considered an effective hedge is recognised as a change in the hedged item;
- the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

Cash flow hedges considered effective are recognised in equity until the hedged asset or liability is recognised.

9.13. Inventory

Inventory is measured at cost no higher than realisable selling price as at the balance sheet date.

The cost does not include:

- any costs arising from unused production capacity and production losses,
- any costs of storage, unless they are indispensable for the manufacturing proces
- any margin on internal turnover (any margin on services rendered by the auxiliary business activities for the core business activities and any margin on internal sales between different sections of the core business activities), which is excluded together with the cost of internal turnover
- any general and administrative costs and any costs of sales, marketing and distribution

Any inventory that is used or sold is measured at the prices (costs) of the assets, which were acquired (manufactured) first by the Group, i.e. according to the FIFO (First in First out) method. Write-downs of inventory made because its value has declined or adjusted to the net realisable value are recognised in the balance sheet and classified as part of the cost of goods sold.

Reversals of write-downs are recognised as decreases in the cost of goods sold

The net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

9.14. Cash and cash equivalents

Cash and short-term deposits in the balance sheet include cash at bank and in hand as well as short-term deposits with an original maturity of three months or less.

The Group discloses cash deposited on escrow accounts and cash blocked on the accounts of the property development companies under cash and cash equivalents, while for the purpose of consolidated statement of cash flows – the balance of cash at the beginning and at the end of the financial year is reduced by the above cash, and the change in the carrying amount is recognised under cash flow from operating activities.

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9.15. Equity

Equity is recognised in the accounting records by type and according to the rules set forth in the provisions of law and the Articles of Association of the Parent Company and subsidiaries.

Share capital is recognised in its nominal value, as specified in the Parent Company's Articles of Association and

entered in the commercial register.

Any declared, but unpaid, contributions to share capital are recognised in called-up share capital. Own shares and called-up share capital decrease the Group's equity.

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

Share premium account is the surplus of the issue price over the nominal value

Any costs of share issue at the establishment of a joint-stock company or at an increase in share capital decrease share premium account down to the surplus of the issue value over the nominal value of shares.

Revaluation reserve also includes:

- Previous years' profits
- Share premium
- Hedging instruments
- Actuarial gains (losses).
- Capital element concerning bonds

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

9.16. Interest-bearing loans, borrowings and debt securities

All the loans, borrowings and debt securities are initially recognised at cost corresponding to fair value of received cash less any costs associated with the obtaining of a loan or borrowing.

After the initial recognition, interest-bearing loans, borrowings, debt securities and finance lease liabilities are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost includes any costs associated with the obtaining of a loan or borrowing, as well as any costs of discounts or bonuses obtained at the settlement of the liability.

Any gain or loss is recognised in the balance sheet as at the derecognition of the liability from the balance sheet and as a result of write-down calculation.

9.17. Trade and other liabilities

After initial recognition, the Group measures financial liabilities:

- at amortised cost,
- at fair value through profit or loss

Short-term trade liabilities are reported at amounts payable. Financial liabilities other than financial instruments measured at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Financial liabilities other than financial liabilities measured at fair value through profit or loss are measured as at the balance sheet date at amortised cost (i.e. they are discounted using the effective interest rate). Short-term liabilities, with maturities of up to 365 days, are measured at amounts due.

Derecognition of a financial liability

A financial liability (or a part of a financial liability) is derecognised from the statement of financial position when it is extinguished, i.e., when the obligations specified in the contract are discharged, cancelled or expired.

A financial liability (or part of it) is extinguished when the debtor either:

- discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or
- is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor. (If the debtor has given a guarantee this condition may still be met.)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

9.18. Provisions

Provisions are recognised, if the Group has an obligation (legal or customarily expected) resulting from past events, and if it is likely that meeting such an obligation shall result in the outflow of economic benefits being necessary, and if the amount of such an obligation can be reliably estimated. If the Group expects that the costs covered by the provision will be reimbursed, for example, under an insurance contract, such a reimbursement is recognised as a separate asset, but only when it is certain that such a reimbursement will be made. Any costs related to a given provision are recognised in loss or profit less any certain reimbursements.

If an impact of the value of money in time is significant, the provision is determined by discounting the forecast future cash flows to their present value, using the gross discount rate that reflects the present market value of money in time and any risk related to a given liability. If a discount-based method is applied, an increase in the provision over time is recognised as financing costs. Provisions for losses on contracts are recognised when inevitable expenses related to the fulfilment of the commitment towards a customer exceed expected revenues according to the estimates of a realisable transaction price. In particular, such provisions shall also be recognised as a result of the revision of budgets and the degree of work progress. In events in which the future budgeted costs exceed the revenues from the transaction price, which are still to be recognised, the difference (expected loss on the contract concerned) shall be recognised in the statement of financial position as a provision. In the following periods, such a provision shall be derecognised as the actual loss is incurred or increased if the following revisions result in a higher loss being expected.

The Group recognises no provisions for future operating losses.

A given provision may only be used for expenditures for which it was originally recognised. The provision is used without the effect on profit or loss by allocating its estimated amount to the liabilities or by decreasing its value in relation to the payment made.

Provisions are recognised respectively as operating expenses of core business activities, other operating expenses or financial expenses, depending on the circumstances, to which potential liabilities relate.

Any unused provisions, whose further maintenance is not reasonable, shall increase as at the day, in which they become obsolete, respectively, revenues from the core operating activities, other operating revenues or financial revenues, depending in which category they were recognised at the time of their creation.

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

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

9.19. Retirement and pension benefits and jubilee bonuses

In accordance with the corporate remuneration systems, employees of the Group companies are entitled to jubilee bonuses and retirement and pension benefits. Jubilee bonuses are paid to employees who have worked in the Company for a certain number of years. Retirement bonuses are paid on a one-off basis at the moment of retiring. The amounts of retirement and pension benefits and jubilee bonuses depend on the employee's work records and average remuneration. The Group creates provisions for future liabilities from retirement and pension benefits and jubilee bonuses in order to assign costs to relevant periods. Pursuant to IAS 19, jubilee bonuses are other long-term employee benefits, and retirement benefits are programmes for certain benefits upon the termination of the employment period. Present value of these liabilities as at the balance sheet date is determined in accordance with the generally applicable actuarial methods. Accrued liabilities are equal to the discounted payments to be made in the future, taking into account the turnover of employment, and relate to the period up to the balance sheet date. Demographic data and information about the turnover of employment are based on historical data. Any actuarial gains or losses on the measurement of the retirement and disability pension benefit programmes are recognised in other comprehensive income, whereas any actuarial gains or losses on the measurement of jubilee bonuses are recognised in profit or loss. Any other costs related to the programmes for specific benefits are recognised in a full amount in profit or loss for the period in which they are incurred.

9.20. Prepayments

Prepayments include in particular:

- rents paid in advance,
- insurance,
- subscriptions,
- external services to be rendered in the following periods, but paid for in advance
- maintenance repairs.

Prepayments are settled respectively to the lapse of time or the quantity of services rendered. The time and manner of settlement depends on the nature of the costs settled on a prudent basis.

If costs attributable to future periods are not settled within the nearest 12 months from the balance sheet date, they are disclosed in the balance sheet as a separate item ("Long-term prepayments").

9.20.1. Short-term receivables

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

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

9.21. Settlements under contracts with customers

At the conclusion of the agreement, the Group makes assessment of goods and services resulting therefrom and identifies as a liability to render services any promise to transfer to a customer:

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

b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A series of distinct goods or services is transferred to the customer in the same pattern if both of the following criteria are met:

a) each distinct good or service in the series that the Group promises to transfer consecutively to the customer meets the criteria specified in IFRS 15, consisting in such a good or service being regarded as a performance obligation that is satisfied over time; and

b) in keeping with IFRS 15, a single method for measuring progress would be used to measure the Group's progress towards complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer.

A good or service is distinct if both of the following criteria are met:

a) the customer can benefit from the good or service on its own or in conjunction with other readily available resources (i.e. the good or service can be distinct); and

b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the agreement (i.e. the good or service are distinct within the same agreement).

Revenue is recognised as at the fulfilment (or during the fulfilment) of the obligation to complete satisfaction of the performance obligation to transfer the promised good or service (i.e. an item of assets) to the customer. The transfer of an item of assets is completed at the acquisition by the customer of control over it.

For each obligation to complete satisfaction identified pursuant to the aforementioned provisions, the Group shall determine at the conclusion of the agreement, whether the obligation concerned is to be completed over time or at a point in time. If the Group does not satisfy its performance obligation over time, it satisfies it at a point in time

For each obligation to complete satisfaction of a performance obligation over time, the Group recognises revenues over time, measuring the degree of the total completion thereof. The purpose of such measurements is to determine the progress in the Group's performance of the obligation to transfer control over the goods or services promised to the customer (i.e. the degree of progress in the obligation to complete satisfaction)

The Group applies a single method for measuring progress to each obligation to complete satisfaction of a performance obligation over time and applies this method consistently in relation to similar obligations and in similar circumstances. At the end of each reporting period, the Group reassesses the degree of progress in the full completion of the obligation performed over time.

9.21.1. Contract asset

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.

9.21.2. Contract liabilities

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. Moreover, a contract liability arises in the case of completed transactions with customers entitled to discounts that will be settled jointly at the end of a specified period.

9.21.2. Revenues and expenses under contracts with customers

The Group applies IFRS 15 to all contracts with customers with the exception of leases covered by IFRS 16 Leases; insurance contracts covered by IFRS 4 Insurance Contracts; financial instruments and other contractual rights or obligations covered by IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Venture.
The Group shall account for a contract with a customer that is within the scope of IFRS 15 only when all of the following criteria are met:

- the parties to the contract have approved the contract and are committed to perform their respective obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred;
- the Group can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance; and
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Group shall combine two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contracts as a single contract if one or more of the following criteria are met:

- the contracts are negotiated as a package with a single commercial objective;
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods or services promised in the contracts.

The Group shall account for a contract modification as a separate contract if both of the following conditions are present:

- the scope of the contract increases because of the addition of promised goods or services that are distinct; and
- the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

The Group recognizes in the balance sheet a contract liability which is the obligation of the Group to provide goods or services to the customer in return for which the Group received remuneration (or the amount of remuneration is due) from the customer. The Group recognizes liabilities under the contract mainly in connection with contracts for which the payment is advance payment and in connection with the remuneration received in advance for construction works for services not yet performed by the Group. In addition, the obligation under the title agreements arise in the case of completed transactions with customers entitled to discounts, the total settlement of which will take place at the end of the agreed period.

Identifying performance obligations

At contract inception, the Group shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or

- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Satisfaction of performance obligations

An entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Determining the transaction price

When (or as) a performance obligation is satisfied, an entity shall recognise as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained) that is allocated to that performance obligation. The Group shall consider the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes).

Variable consideration

If the consideration promised in a contract includes a variable amount, an entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. The Group shall estimate an amount of variable consideration by using either of the following methods, depending on which method the entity expects to better predict the amount of consideration to which it will be entitled:

- The expected value—the expected value is the sum of probability-weighted amounts in a range of possible consideration amounts. An expected value may be an appropriate estimate of the amount of variable consideration if the Group has a large number of contracts with similar characteristics;

- The most likely amount—the most likely amount is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract). The most likely amount may be an appropriate estimate of the amount of variable consideration if the contract has only two possible outcomes (for example, an entity either achieves a performance bonus or does not).

The Group shall include in the transaction price some or all of an amount of variable consideration estimated in accordance with only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Any modifications of the transaction price are recognized prospectively.

The existence of a significant financing component in the contract

The Group has decided to exercise the provided practical expedient, and it does not adjust the transaction price for the effects of the time value of money in the instance of contracts, for which the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The transaction price for contracts, which the Group expects - at the moment of iception – that the period between when the Group transfers a good or service and when the customer pays for that good or service is more than one year – is adjusted by the significant financing component. In the instance of advance payments, the Group recognizes interest expenses, and in the instance of payment deadlines longer than 12 months, the Group, as appropriate, recognizes interest revenue.

It is necessary to identify the discount rate in order to estimate the significant financing component. The Group applies rates which have been applied in the instance of concluding separate finance transactions between the unit and its customer at the moment of contract inception. In order to reflect the credit nature of the party receiving funding, different discount rates are applied to transactions, in which the Group is the assuring party and the party receiving financing.

Discount rates are reviewed at least at the time of preparation of the financial statements and are applied to contracts concluded after the date of updating the rates.

The Group has analyzed the provisions of contracts concluded with customers and is of the view that as regards the described aspect, the contracts contain no significant financing component, as the condition provided under IFRS 15.62 has been met, that is, the significant advance payment has been effected for reasons other than the provision of finance to the customer, and the difference between the promised consideration and the cash selling price of the good is proportional to the reason for the difference. Advances provide protection against inadequate performance of contractual obligations, i.e. payment due from the customer. Received advances are recognized in the balance sheet under the item: "Liabilities arising under contracts with customers".

Warranties

The Group grants warranties for sold products, which is assurance that a particular product complies with the specifications agreed by the Parties. The Group recognizes such warranties in accordance with IAS 37 Provisions Contingent Liabilities and Contingent Asset.

Some non-standard contracts with customers contain extended warranties. Such warranties constitute a separate service- recognized as a performance obligation, to which a part of the transaction price is allocated.

Sale of construction services

The Group determines the degree of progress in the completion of the performance obligation for each obligation on the basis of periodic reports presented by directors responsible for particular construction projects. Reports are prepared on a quarterly basis and specify the degree of progress in works and the estimation of costs incurred and budgeted.

Based on the reports, the data on the degree of progress is entered in the Group's accounting system and used for calculating revenues and costs.

The amounts recognised in the statement of profit or loss and in the balance sheet as assets and liabilities concerning contracts are determined as a ratio of the estimated degree of work progress to the estimated general costs of contracts and the estimated revenues from contracts.

Where there is likelihood that the total expenses of contract performance exceed the total revenues from the contract, the expected loss concerning the whole contract is recognized as an expense of the period during which it has been disclosed, under the item "provisions" in liabilities. In determining whether a particular contract will entail a loss, the Company treats such expenses as unavoidable due to the concluded contract (in particular, indirect expenses incurred in connection with measures indispensable for performance of the contract).

Where the revenues determined by the expenditure method are greater than invoiced revenues, the surplus (difference) is presented by the Group in the assets of the balance sheet under the item "Assets under contracts with customers".

Where the revenues determined by the expenditure method are smaller than invoiced revenues, the surplus (difference) is presented by the Group in the liabilities of the balance sheet under the item "Liabilities under contracts with customers".

Revenue category	Character, essential payment terms and the moment of fulfilment of the obligation to perform the service
Revenues from the sale of long term construction services	Construction and assembly contracts cover various market segments, including: - tracks and contact line, - electric power engineering, - bridges,viaducts, tunnels, - roads and motorways. Obligations to perform the service related to the implementation of long term construction contracts are met in time. Revenue is not recognized when there is significant uncertainty in connection with obtaining due renumeration, reimbursment of cost incurred or the potential return of prodcuts and goods The Group does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain in a significant element of financing.
Revenues from the sale of design services	The Group offers specialized design services in the field of study works, feasibility studies, conceptual designs, construction and executive projects, assembly projects, as-built projects, bidding and costing documents, as well as other specific analyses in the field of railway construction and railway transport technologies. Obligations to perform a service related to the implementation of project work are met at a specific point in time - at the moment of the transfer of control over the products of the project works. Revenue is not recognized when there is significant uncertainty in connection with obtaining due remuneration, reimbursement of costs incurred or the potential return of products and goods. The Group does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain a significant element of financing
Revenue from renting equipment	The Group offers rental services for railway construction works and all general construction works. Revenue from renting of the equipment is recognized in the statement of profit or loss in time in the amount of monthly invoices issued. The Group does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain a significant element of financing.
Revenues from the sale of products, goods and materials	Revenue from the sale of products, goods and materials is recognized in the statement of profit or loss when control over them has been transferred to the buyer. In principle, the transfer of control is the moment when the significant risks and benefits resulting from their ownership were transferred. In the absence of specific arrangements between the parties (e.g., by applying Incoterms), sales revenue is recognized at the time of delivery to a customer. The Group does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain a significant element of financing.
Revenue from developer activities	Revenue from developer activities is recognized in the statement of profit or loss when the control over an apartment is transferred to a buyer. This is the moment of signing a notarial deed transferring the ownership of a real estate, premises or other part of a property (e.g., garage) to a client. The Group does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain a significant element of financing.
Revenue from the sale of transport services	Trakcja Group is a licensed railway carrier. Transportservices are rendered both under separate transport contracts and as part of the delivery of products and goods sold by the Group. In the case of contracts for the supply of products together with the provision of transport services, revenue from the sale of transport services provided to a customer after the control over products or goods are recognized in the statement of profit or loss at the end of transport. Remuneration for transport services is indicated in contracts with customers and is included in sales invoices. Transaction price is assigned to transport services according to their individual sales price resulting from the applicable price lists. The Group does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain a significant element of financing.

The Company verifies on a quarterly basis the following:

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

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

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

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

9.21.3. Revenue from consortium agreements

The Group implements certain contracts under consortium agreements whereby it acts as a consortium leader. The Group does not recognize in the income statement the portion of revenue and expenses attributable to consortium members – in accordance with IFRS 11.

At the same time, the Group recognises in the balance sheet only that portion of assets and liabilities that is attributable to the Group's share in jointly controlled operations.

9.22. Interest income

Interest income is recognised as it accrues (using the effective interest rate method) by reference to the net carrying amount of a particular financial asset.

9.23. Dividend income

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

9.24. Taxes

9.24.1. Current tax

Any income tax on revenues generated in Poland is calculated in accordance with the Polish tax regulations, but any income of entities that carry out their activities abroad are taxed in accordance with local tax regulations, including provisions of double taxation conventions. The applicable income tax rate in Poland is 19%, in Lithuania 15%, Sweden 21,4%, and Ukraine 18%.

Liabilities and receivables from the current tax for the current and previous periods are measured at the expected payment for the tax authorities (the expected refund from the tax authorities) calculated according to tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

9.24.2. Deferred tax

Deferred income tax is calculated using the balance sheet liability method in respect of all the temporary differences occurring as at the balance sheet date between the tax value of assets and liabilities and their carrying amounts disclosed in the consolidated financial statements.

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

- except for when a provision for deferred income tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination and having no effect at the moment of its being carried out on the gross profit or loss or on the taxable income or tax loss; and
- for the positive temporary differences arising from investments in subsidiaries or affiliated parties and shares in joint ventures, except for when the due dates for the reversal of temporary differences are subject to the investor's control and when it is likely that in the foreseeable future the temporary differences will not be reversed

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

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

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and is decreased as necessary, when it is no longer likely that future taxable income will be available to fully or partially capitalise the deferred income tax asset.

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

Income tax on transactions recognised directly in equity is recognised in equity and not in profit or loss. The Group offsets the deferred income tax assets against the provisions for deferred income tax if, and only if, it has an enforceable legal title to offset receivables against the provisions for current income tax and if the deferred income tax refers to the same tax payer and the same tax authority.

9.24.3. Value added tax

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

- when the value added tax paid at the purchase of assets or services cannot be recovered from tax authorities; it is recognised respectively as part of the cost of such an asset or service;

- receivables and liabilities that are disclosed with the value added tax

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

9.25. Earnings per share

Earnings per share for each period are calculated by dividing a net profit allocated to shareholders in the Parent Company for a given period by the weighted average number of shares outstanding in the reporting period concerned. Diluted earnings per share for each period are calculated by dividing a net profit allocated to shareholders in the Parent Company for a given period by the total of the weighted average number of ordinary

shares outstanding during the reporting period concerned and all the potential dilutive shares.

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

9.26. Service concession arrangements

The Company entered into service concession arrangements in the framework of a public-private partnership involving the grantor (Litewski Urząd Drogowy) and the operator (UAB Palangos aplinkkelis which is a subsidiary of the Issuer). The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices, and other terms. The Group recognises and measures revenue in accordance with IAS 11 and IAS 18 for the services it performs. The Group accounts for service concession arrangements using the model specified in IFRIC 12. If the operator performs more than one service (i.e. construction, maintenance and modernisation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable. The Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor.

The operator has an unconditional right to receive cash if the grantor contractually guarantees to pay the operator:

- specified or determinable amounts or

- the shortfall, if any, between the amounts received from users of the public service and specified or determinable amounts, even if payment is contingent on the operator ensuring that the infrastructure meets specified quality or efficiency requirements.

IAS 32, IAS 39 and IFRS 7 apply to the financial asset recognised. The amount due from or at the direction of the grantor is accounted for in accordance with IAS 39 as receivables, and interest calculated thereon using the effective interest method is recognised in profit or loss.

In accordance with IAS 23, costs of external funds attributable to the arrangement are recognised as an expense in the period in which they are incurred unless the operator has a contractual right to receive an intangible asset (a right to charge users of the public service).

10. Standards and amendments to standards issued by the IASB

The accounting rules (policy) applied in the preparation of these consolidated financial statements for the financial year ending on 31 December 2020 are consistent with those applied in the preparation of these consolidated financial statements for the financial year ending on 31 December 2019, with the exception of the below-described modifications.

The same rules have been applied for the current and comparative period.

Modifications adopted autonomously by the Group

On 25 June 2020 the Trakcja Management Board adopted the resolution on the adoption of the expense relocation instructions, which have set out the method of allocating the expenses of units and organizational units for the various expense positions. Accordingly, as of 1 July 2020, the Group has adopted presentation modifications of expenses relevant for contract performance. In accordance with the adopted instructions for each organizational unit of the Group's headquarters, individual rules of reallocating expenses for the appropriate expense positions have been established.

According to IAS 8. 22 "Retrospective Application": the unit discloses comparative data of each period as if the modified accounting rules (policy) had always been applied, which means that the Company should apply the above-described modification as of 1 January 2019. The Group disapplied the application indicated in IAS 8.22 and has started to apply the modification as of 1 July 2019 analogously to the period, in which the modification had been introduced in 2020. In the Group's opinion, such a presentation allows the maintenance of data comparability in the profit and loss statement for 2019 and 2020 in a much more reliable manner. The modification introduced by the Group bears no impact on the net result or Group capitals; it is merely a presentation adjustment between elements of the profit and loss statement.

The Group has been applying this modification since 1 July 2020 and has introduced a presentation modification of comparative data as of 1 July 2019. The impact for the comparable period was as follows:

- the sales expenses increased by PLN 2,666,000.00;
- sales, marketing and distribution expenses increased by PLN 190,000.00,
- general management expenses have decreased by PLN 2,856,000.00.

The effect of applying new accounting standards and of modifications of the accounting policy

During the period covered by the financial statements for the 12-month period ending on 31 December 2020, the following modifications of accounting rules and of the preparation of financial statements have taken place:

- **Amendment to IFRS 3 Business Combination**

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

The objective of the amendment was clarification of the definition of a business and easier differentiation of "business" takeovers from groups of assets for purposes of clearing mergers. An optional "concentration test" was added to the Standard, which simplifies assessment whether an acquired set of activities and assets is not a business.

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

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

The objective of the amendment was the clarification of the definition of "material" and its practical application.

- **Reform of reference rates – Amendments to IFRS 9, IAS 39 and IFRS 7.**

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

These amendments modify the detailed requirements of hedge accounting with a view of minimizing (eliminating) the potential effects of uncertainty associated with the reform of (inter-bank) reference interest rates. Furthermore, units shall be obliged to add additional recognition as regards these hedging relationships, which are directly affected by the uncertainty associated with the reform.

Furthermore, as of 1 June 2020, upon its acceptance for application by the European Commission in October 2020, the Group applies the Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions. The amendment was published on 28 May 2020 and is effective for annual periods beginning on or after 1 January 2020, with the option of earlier application. The amendment introduces a practical expedient permitting not to recognize modifications of a lease where, for example, changes in payment occurred as a consequence of the Covid-19 pandemic.

The foregoing modifications had no material impact on the Trakcja Group consolidated financial statements for 2020.

10.1. Standards and interpretations have been issued by the International Accounting Standards Board (IASB), but have not become effective as at the balance sheet date.

The Group did not elect to apply the published standards or interpretations before their entry into force in these consolidated financial statements

- **IFRS 17 Insurance Contracts**

The new standard was published on 18 May 2017 and subsequently modified on 25 June 2020, and is effective for annual periods beginning on or after 1 January 2023. Its earlier application is permitted (provided that IFRS 15 and IFRS 9 are applied simultaneously). The standard supersedes the to-date provisions concerning insurance contracts (IFRS 4). On 25 June 2020 IFRS 4 was also amended – as regards the extension of the exemption period for insurers in the application of IFRS 9 Financial Instruments until 1 January 2023.

The Group shall apply the new standard as of 1 January 2023. As at the date of preparation of these financial statements, it is not possible to estimate in a credible manner the impact of applying the new standard.

- **Amendment to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current**

The amendment to IAS 1 was published on 23 January 2020, and subsequently in July 2020 the date of entry into force was modified, and is effective for annual periods beginning on or after 1 January 2023.

The amendment redefines the criteria which must be met for a liability to be recognized as current. This amendment may have an impact on a change of presentation of liabilities and their reclassification as current or non-current liabilities.

The Group shall apply the amended standard as of 1 January 2023. As at the date of preparation of these financial statements, it is not possible to estimate in a credible manner the impact of applying the new standard.

- **Amendment to IFRS 3, IAS 16, IAS 37 and annual improvements, 2018-2020**

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

The Group shall apply the amended standard as of 1 January 2022. As at the date of preparation of these financial statements, it is not possible to estimate in a credible manner the impact of applying the new standards.

- **Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Reference Rate Reform- Second Phase**

The amendments to these standards were published on 27 August 2020 and they supplement the first phase of reporting modifications which follow from the interbank reference rates reform of September 2019. These modifications are effective for annual periods beginning on or after 1 January 2021. The second phase modifications are focused on the impact of replacing the to-date reference rate by the new rate under the reform on the evaluation, for example, of financial instruments and lease liabilities.

The Group shall apply the amended standard as of 1 January 2021. As at the date of preparation of these financial statements, it is not possible to estimate in a credible manner the impact of applying the new standards.

- **Amendment to IAS 1 – Accounting policy disclosures and IAS 8 –Definition of estimates**

The amendments to these standards were published on 12 February 2021 and are effective for annual periods beginning on or after 1 January 2023. The objective of these amendments is placing more stress on the disclosure of material accounting rules and clarification of the nature of the differences between changes of estimates and changes in accounting rules (policies).

The Group shall apply the amended standard as of 1 January 2023. As at the date of preparation of these financial statements, it is not possible to estimate in a credible manner the impact of applying the new standards.

The IFRS as approved by the EU do not differ significantlyfrom the measures adopted by the PFRS Board, with the exception of the following standards, interpretations and amendments thereto, which as at the date of approval of these financial statements for publication, have not been accepted for application by EU Member States:

- IFRS 17 Insurance Contracts published on 18 May 2017, along with modifications of 25 June 2020,
- Amendment to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current, published on 23 January 2020 along with modifications of 15 July 2020,
- Amendment to IFRS 3, IAS 16, IAS 37 and annual improvements, 2018-2020 , published on 14 May 2020,
- Amendment to IAS 1 – Accounting policy disclosures and IAS 8 –Definition of estimates, published on 12 February 2021.

According to the Group's estimates, the foregoing new standards and amendments of existing standards would have had no material impact on the consolidated financial statements, if they had been applied by the Group on the balance sheet date.

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

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

With reference to note 10 of the annual standalone financial statement of Trakcja Company for the financial year which ended December 31, 2020, note 62 of annual consolidated financial statement of Trakcja Group for the financial year which ended December 31, 2019, as well as note 10 of the consolidated quarterly report for 9 months which ended September 30, 2020, the Management Board of the Parent Company provides the following update regarding the matters referred to in the aforementioned notes to the financial statements.

Going concern

These financial statements for 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

As at the balance sheet date, the Company reported a net loss of PLN 70,481 thousand and a negative net working capital of PLN 39,221 thousand.

As at the balance sheet date, total financial liabilities on account of loans, leases and bonds amounted to PLN 386,517 thousand (long-term portion: PLN 271,713 thousand, short-term portion: PLN 94,804 thousand).

As at the balance sheet date, trade liabilities amounted to PLN 302,052 thousand including trade payables and retained amounts PLN 252 922 thousand of which overdue liabilities of PLN 87,200 thousand. Where possible, they are settled by the Company using current proceeds.

In view of the above factors, there is a risk to the Company's ability to continue as a going concern. Owing to the ongoing financial restructuring process, the aforementioned risk has been significantly reduced.

General situation of the Company

The Company's performance for the period of 12 months ended 31 December 2020 was as follows:

- gross profit/loss on sales: PLN-20,456 thousand (12 months of 2019 modified: PLN -95,556 thousand)
- EBITDA: PLN -34,336 thousand(in 2019 PLN -120,785 thousand)
- net profit/loss: PLN -70 481 thousand (in 2019: PLN -249,678 thousand)
- equity: PLN 279,645 thousand (in 2019: PLN 349,925 thousand)

As at December 31, 2020, the Company's order book was PLN 1,759 million, of which PLN 59.2 million were agreements executed in 2020. Further, the Parent Company submitted the most favorable bids in public tenders (which have not been resolved until the publication date hereof) for the total amount of PLN 711.2 million.

Implementation of projects optimizing the Company's activities

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

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

Kontynuacja negocjacji w sprawie roszczeń

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

The Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as part of mediations at the Arbitration Court by the General Prosecutor's Office of the Republic of Poland for the amount of PLN 139.2 million (the gross amount together with capitalized interest as of the date when the claim was filed), including for the amount due to Trakcja – PLN 106.9 million. Detailed information has been provided in note 51 hereto.

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

At the present stage, the Company's Management Board cannot forecast the date of completing negotiations concerning claims pursued in court and their impact on the financial result.

Solicited new significant contracts

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

In 2020, the Company has signed the following contracts:

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

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

The most advantageous bids submitted during public tenders in 2020:

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

a) „Reconstruction of railway line no. 7 - Warszawa Wschodnia - Wawer" (value of contract - PLN 422,400,000.00, net);

b) „Expansion of the Tram Line in Olsztyn" (the Company's share – PLN 163,900,000.00, net);

c) „Construction of the Tram Line in Bydgoszcz" (value of contract - PLN 124,900,000.00, net).

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

Material agreements executed after the balance-sheet date

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

Active policy for the management of the Company's liquidity

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

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

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

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

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

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

New sources of funding

In the course of 2020:

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

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

3. On May 7, 2020, an amendment to the unified Intercreditor Agreement of June 13, 2019, as amended (the "Intercreditor Agreement") was entered into by and between the Company, its subsidiaries and financial institutions. Pursuant to the amendment to the Intercreditor Agreement, the subsidiary Trakcja Ukraina sp. z o.o. acceded as a party to the Intercreditor Agreement and, in addition, certain modifications were introduced to the provisions of the agreement in order to adapt the terms of cooperation between the parties in connection with the Company's planned issue of convertible bonds which were subscribed by COMSA S.A.U. ("COMSA Convertible Bonds"). Pursuant to the amendment to the Intercreditor Agreement, the claims on account of COMSA Convertible Bonds were subordinated to the repayment of financial liabilities resulting, in particular, from the Company's current funding and their repayment was prohibited prior to the full, final and unconditional repayment of all such liabilities, expiration of obligations of all creditors being parties to the Intercreditor Agreement to provide funds or issue guarantees under the relevant financing documents and expiry of all guarantees issued under the relevant financing documents. Simultaneously, the parties agreed that COMSA Convertible Bonds may, without the creditors' consent, be converted into shares of the Company regardless of the subordination, under the terms and conditions set out in the COMSA Convertible Bonds Terms of Issue. The above changes notwithstanding, no material provisions of the Intercreditor Agreement were amended.

4. On May 8, 2020, the Company issued 11,764,705 Series F secured registered bonds convertible into Series D shares of the Company with the nominal value of PLN 1.70 each, with the total nominal value of PLN 19,999,998.50 ("Series F Bonds") and 4,514,405 Series G unsecured registered bonds convertible into Series D shares of the Company with the nominal value of PLN 1.70 each, with the total nominal value of PLN 7,674,488.50 ("Series G Bonds").

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

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

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

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

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

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

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

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

Risks related to the SARS CoV-2 pandemic

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

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

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

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

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

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

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

Receipt of sales price for the real estate in Wroclaw

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

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

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

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

Events expected to occur after the balance-sheet date

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

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

Risk of non-achievement of contractual financial indicators

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

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

Risk of failure

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

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

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

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

2. Conducting operational restructuring involving the sale of assets that are not used in the core operating activities, inter alia shares in subsidiaries, tangible fixed assets.

3. Limiting the scope of the Company's operations.

12. Selected financial data

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

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

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

	31.12.2020		31.12.2019	
	kPLN	kEUR	kPLN	kEUR
Non-current assets	581 319	125 968	596 366	140 042
Current assets	896 437	194 253	887 954	208 513
TOTAL ASSETS	**1 477 756**	**320 221**	**1 484 320**	**348 555**
Equity	337 116	73 051	425 484	99 914
Long-term liabilities	340 847	73 860	232 816	54 671
Short-term liabilities	799 793	173 310	826 020	193 970
TOTAL EQUITY AND LIABILITIES	**1 477 756**	**320 221**	**1 484 320**	**348 555**

The data reported in the consolidated balance sheet was translated at the exchange rate quoted by the National Bank of Poland for the last day of the financial year.

Key items of the consolidated income statement translated into EUR:

	Year ended 31.12.2020		Year ended 31.12.2019	
	kPLN	kEUR	kPLN	kEUR
Sales revenues	1 338 982	299 267	1 440 774	334 924
Cost of goods sold	(1 327 676)	(296 740)	(1 511 681)	(351 407)
Gross profit (loss) on sales	**11 306**	**2 527**	**(70 907)**	**(16 483)**
Operating profit (loss)	(90 163)	(20 152)	(288 390)	(67 039)
Gross profit (loss)	**(119 858)**	**(26 789)**	**(313 369)**	**(72 846)**
Net profit (loss) from continued operations	(109 986)	(24 582)	(285 048)	(66 262)
Net profit for the period	**(109 986)**	**(24 582)**	**(285 048)**	**(66 262)**

The consolidated income statement data was converted at the average EUR exchange rate, calculated as the average of the exchange rates effective on the last day of each month in the financial year, quoted by the National Bank of Poland for that day.

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

	Year ended 31.12.2020		Year ended 31.12.2019	
	kPLN	kEUR	kPLN	kEUR
Cash flows from operating activities	37 174	8 309	(190 108)	(44 193)
Cash flows from investment activities	2 272	508	4 601	1 070
Cash flows from financial activities	(11 001)	(2 459)	176 293	40 981
Total net cash flows	**28 445**	**6 358**	**(9 214)**	**(2 142)**

The above data contained in the consolidated statement of cash flows was converted at the average EUR exchange rate, calculated as the average of the exchange rates effective on the last day of each month in the financial year, quoted by the National Bank of Poland for that day.

	31.12.2020		31.12.2019	
	kPLN	kEUR	kPLN	kEUR
Cash at start of period	107 461	25 234	116 675	27 134
Cash at end of period	**135 906**	**29 450**	**107 461**	**25 234**

Cash excluded from the statement of cash flows as at 31 December 2019 comprises cash blocked on the property development project accounts in the amount of PLN 272 thousand (31.12.2019 r.: PLN 12 thousand).

The above data contained in the consolidated statement of cash flows was converted at:

- the exchange rate quoted by the National Bank of Poland for the last day of the financial year – for "Cash at the end of the period",
- the exchange rate quoted by the National Bank of Poland for the last day of the financial year preceding the respective financial year – for "Cash at the beginning of the period".

The EUR/PLN exchange rate on the last day of the financial year ended 31 December 2018 was PLN 4,3000.

13. Information on segments

Organisation and management of the Group's business are based on separate segments, corresponding to the types of products and services offered and markets served. Due to the relatively uniform nature of business activities of the Group companies, the following segments correspond to individual Group members.

As a consequence, the following reporting operating segments have been identified:

- Civil engineering – Poland – segment which performs civil engineering, construction and assembly works (Trakcja, BTW, Torprojekt, PEUiM, Dalba and PDM S.A.);
- Construction, engineering and concession arrangements – Baltic States – segment which performs civil engineering, construction and assembly works in the road and rail sectors in Baltic States (AB Kauno Tiltai Group);
- Other – residential construction segment, which provides broadly defined real estate development services, including building construction works (PRK 7 Nieruchomości); this segment also includesoperations of Ukrainian companies.

The Management Board monitors the respective segments' operating performance to make decisions on the allocation of resources, and evaluate the results of the allocation and the segments' operating performance. Profit or loss before tax is used as the key metric to evaluate results of the operations. Income tax is monitored at the Group level and is not allocated to the operating segments.

The principles applied to the operating segments in order to determine their financial performance, assets and liabilities, and to determine which of these elements are to be monitored at the Group's level remained unchanged in 2020.

Key customers

In 2020 and in the comparable period, revenue from transactions with external customers accounted for 10% or more of the Group's total revenue. Total revenue by type of customers and by segment to which such revenues pertain are presented in the table below:

Total amount of revenues obtained in 2020 from a single recipient (PLN thousand)	Segments presenting these revenues
513 739	Civil construction - Poland
271 977	Construction, Engineering and Concession Agreements Segment - Baltic countries

The Management Board of the Parent Company refrained from presenting revenue from external customers by product and service due to the excessive cost of obtaining such information, which is in conformity with IFRS 8.

(figures in PLN '000, unless stated otherwise)

Operating segments

For the period from 1.01.2020 to 31.12.2020 *Audited*	**Continued operations**						
	Civil Building Segment - Poland	**Construction, Engineering and Concession Agreements Segment - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues							
Sales to external customers	729 620	567 093	42 269	1 338 982	-	-	1 338 982
Sales between segments	1 301	127	1 241	2 669	-	(2 669)	-
Total segment revenues	**730 921**	**567 220**	**43 510**	**1 341 651**	**-**	**(2 669)**	**1 338 982**
Results							
Depreciation	25 347	12 115	266	37 728	-	-	37 728
Financial revenues - interests	143	333	436	912	-	(573)	339
Financial expenses - interests	19 282	1 261	372	20 915	-	(573)	20 342
Gross profit	**(80 944)**	**(33 310)**	**(4 871)**	**(119 125)**	**-**	**(733)**	**(119 858)**

(figures in PLN '000, unless stated otherwise)

For the period from 1.01.2019 to 31.12.2019
Audited

	Continued operations						
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	938 190	425 865	76 719	1 440 774	-	-	1 440 774
Sales between segments	3 551	9	1 325	4 885	-	(4 885)	-
Total segment revenues	**941 741**	**425 874**	**78 044**	**1 445 659**	**-**	**(4 885)**	**1 440 774**
Results							
Depreciation	25 620	11 793	663	38 076	-	-	38 076
Financial revenues - interests	660	3 083	459	4 202	-	(895)	3 307
Financial expenses - interests	13 918	3 143	87	17 148	-	(895)	16 253
Gross profit	**(176 102)**	**(137 776)**	**386**	**(313 492)**	**-**	**123**	**(313 369)**

(figures in PLN '000, unless stated otherwise)

As at 31.12.2020 *Audited*	Continued operations						
	Civil Building Segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Segment assets	**1 067 483**	**549 149**	**59 311**	**1 675 943**	**-**	**(261 794)**	**1 414 149**
Assets not allocated to segments							63 607
Total assests							**1 477 756**
Segment liabilities*	**593 914**	**276 979**	**14 203**	**885 096**	**-**	**(85 303)**	**799 793**
Other disclosures:							
Capital expenditures	(10 005)	(12 234)	(1 441)	(23 680)	-	-	(23 680)
Impairment of non-financial assets	(925)	(40 467)	-	(41 392)	-	-	(41 392)

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

(figures in PLN '000, unless stated otherwise)

As at 31.12.2019 *Audited*	**Continued operations**						
	Civil Building Segment - 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 expenditures	(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*

(figures in PLN '000, unless stated otherwise)

Segmenty geograficzne

For the period from 1.01.2020 to 31.12.2020 *Audited*	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	766 609	572 373	1 338 982	-	-	1 338 982
Sales domestic/ abroad	776	125	901	-	(901)	-
Total segment revenues	**767 385**	**572 498**	**1 339 883**	**-**	**(901)**	**1 338 982**

For the period from 1.01.2019 to 31.12.2019 *Audited*	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	974 878	465 896	1 440 774	-	-	1 440 774
Sales domestic/ abroad	2 819	9	2 828	-	(2 828)	-
Total segment revenues	**977 697**	**465 905**	**1 443 602**	**-**	**(2 828)**	**1 440 774**

(figures in PLN '000, unless stated otherwise)

As at 31.12.2020 *Audited*	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	1 117 123	558 820	1 675 943	-	(261 794)	1 414 149
Segment liabilities*	623 970	261 126	885 096	-	(85 303)	799 793

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

As at 31.12.2019 *Modified*	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
Segment liabilities*	737 838	192 650	930 488	-	(104 468)	826 020

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

(figures in PLN '000, unless stated otherwise)

14. Revenue from contracts with customers

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

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

Main types of products and services	**Year ended 31.12.2020 Audited**	**Year ended 31.12.2019 Audited**
Revenues from sale of construction services	1 288 454	1 367 275
Revenues from sale of goods and materials	21 277	32 448
Revenues from sale of other products and services	2 339	7 212
Deliveries of products (switchgears, supporting structures, etc.)	14 280	10 628
Deliveries of goods and materials	1 825	2 400
Real estate development activities	-	5 968
Others	10 807	14 843
Total	**1 338 982**	**1 440 774**

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

Allocation of revenues by recipients	**Year ended 31.12.2020 Audited**	**Year ended 31.12.2019 Audited**
General government	1 153 355	1 312 689
Private Sector	185 627	128 085
Total	**1 338 982**	**1 440 774**

Breakdown of sales revenues according to the duration of contracts, measured from the balance sheet date	**Year ended 31.12.2020 Audited**	**Year ended 31.12.2019 Audited**
Contracts to 12 months	922 309	1 041 304
Contracts over 12 months	416 673	399 470
Total	**1 338 982**	**1 440 774**

Revenue from PKP PLK S.A. account directly for approx. 38% of consolidated sales revenue, and revenue from the Lithuanian Road Administration for approx. 20%.

The Group's revenue is recognised in three operating segments which, at the same time, are the reporting segments.

(figures in PLN '000, unless stated otherwise)

The Company's Management Board negotiates the receipt from PKP PLK of payment for contractual claims pending before courts. As at the date of publication of this report, the total gross amount of these claims is PLN. 158,600 thousand ((gross amount together with interest capitalised as at the date of filing the statement of claim) including the amount attributable to Trakcja is approx. PLN 120.3 million. 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.

In 2020, Trakcja recognized as sales revenue the amount of PLN 6,100,000.00 which follows from recognizing in the budget of one of the contracts of revenues postulated in connection with the planned implementation of an additional range of work, not approved by the contracting entity by way of an annex as at the balance sheet date. The amount of PLN 6,100,000.00 recognized as revenue in the profit and loss statement in 2020 follows from the degree of progress of the contract (the total amount of revenue recognized in the budget of this contract associated with the performance of an additional range of work is PLN 45,000,000.00).

15. Operating expenses

Expenses by type:

	Year ended	
	31.12.2020 Audited	**31.12.2019 Audited**
Depreciation	37 728	38 076
Consumption of materials and energy	434 609	443 528
External services	639 026	758 775
Taxes and charges	4 598	7 013
Payroll	231 964	220 379
Social security and other benefits	38 421	37 731
Other types of costs	50 332	43 744
Total costs by type	**1 436 678**	**1 549 246**
Change in inventories, products and prepayments	(42 066)	30 461
Cost of manufacture of products for the entity's own needs (negative value)	(11 217)	(7 215)
Cost of sales, marketing and distribution (negative value)	(5 916)	(5 758)
General and administrative costs (negative value)	(60 919)	(64 026)
Manufacturing cost of products sold	**1 316 560**	**1 502 708**
Value of materials and goods sold	**11 116**	**8 973**
Cost of goods sold	**1 327 676**	**1 511 681**

(figures in PLN '000, unless stated otherwise)

Employee benefits expense:

	Year ended	
	31.12.2020 Audited	**31.12.2019 Audited**
Costs of payroll and employment termination benefits	220 191	210 228
Social security costs	33 405	32 243
Provisions for retirement pay and disability benefits	(345)	496
Provision for jubilee awards	140	645
Provision for unused leaves	9 721	7 072
Provision for bonuses	2 257	1 937
Employee benefits under Employee Pension Program	471	485
Other employee benefits	4 545	5 004
Total	**270 385**	**258 110**

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

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

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

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

(figures in PLN '000, unless stated otherwise)

Depreciation of fixed assets, amortisation of intangible assets and impairment losses recognised in profit or loss:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Items recognised in cost of goods sold		
Depreciation of fixed assets	34 129	32 612
Amortisation of intangible assets	391	807
Depreciation of investment properties	32	-
Total	**34 552**	**33 419**
Items recognised in cost of sales, marketing and distribution		
Depreciation of fixed assets	94	94
Total	**94**	**94**
Items recognised in general and administrative costs		
Depreciation of fixed assets	2 160	3 244
Amortisation of intangible assets	922	1 319
Total	**3 082**	**4 563**
Total depreciation of fixed and intangible assets		
Depreciation of fixed assets	36 383	35 950
Amortisation of intangible assets	1 313	2 126
Depreciation of investment properties	32	-
Total	**37 728**	**38 076**

(figures in PLN '000, unless stated otherwise)

16. Other operating revenue:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Release of provisions	570	35
Reinvoicing of costs	138	56
Donations (gants) received	3	-
Grant	389	-
Surplus of stocktaking	-	144
Redeemed liabilities	76	342
Profit on sale of non-financial non-current assets	2 406	3 834
Valuation of investment property	956	-
Profit from lease of investment real estate	178	403
Co-financing for salaries	723	-
Revenue from patents and licenses	1 964	-
Insurance compensation	469	658
Use of company cars	406	283
Other	2 831	940
Total	**11 109**	**6 695**

17. Other operating expenses

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Established provisions for liabilities	-	360
Paid fines, compensation	67	5 157
Litigation costs paid	1 943	1 179
Donations made	275	209
Inventory shortages of stocks	66	1
Loss on disposal of non-financial fixed assets	172	2 426
Value of liquidated non-financial assets	440	2 220
Value of liquidated inventories	32	22
Establishment of an impairment loss on fixed assets	311	173
Written-off receivables	1	270
VAT not deductible	640	530
Repair	162	-
Write-down of the value of remaining sales	73	-
Other	2 826	3 665
Total	**7 008**	**16 212**

(figures in PLN '000, unless stated otherwise)

18. Financial revenues

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Financial revenues from interest, including:	339	3 307
- bank interest	254	344
- interest on receivables	10	46
- of financial asset under the concession agreement	-	2 525
- other	75	392
Foreign exchante rate gain	-	542
Other financial revenues	284	92
Total	**623**	**3 941**

19. Financial costs

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Financial costs on account of interest, including:	20 342	16 252
- interest on loans and borrowings	11 625	8 477
- on liabilities	4 010	3 265
- on leasing	3 693	3 884
- on liability from employee benefits	171	190
- on bonds	840	-
- other	3	436
Loss from exchange rate differences	3 321	-
Financial commision paid	2 827	8 251
Other financial costs	3 828	4 417
Total	**30 318**	**28 920**

(figures in PLN '000, unless stated otherwise)

20. Income tax

20.1. Current income tax

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Gross profit	**(119 858)**	**(313 369)**
Differences between gross profit (loss) and income tax base (by title)		
- temporary differences, including:	**60 106**	**59 410**
depreciation and amortisation	(5 729)	(8 678)
revaluation write-offs	6 918	2 330
change in provisions	266	(342)
valuation of construction contracts	(16)	93
valuation of construction contracts	95 904	(5 676)
accrued interest	3 744	1 821
accrued FX differences	2 552	(424)
provision for losses on contracts	(35 536)	33 148
remuneration unpaid	12 659	2 971
investment property fair value adjustment	953	479
non-tax costs concerning performed contracts	(48 704)	28 751
non-tax revenues concerning performed contracts	-	(6 811)
payment gridlocks	28 695	-
other	(1 600)	11 748
- permanent differences, including:	**62 803**	**167 393**
contributions to PFRON (National Disabled Persons Rehabilitation Fund)	1 813	1 752
donations made	231	195
budget interest	159	1 710
insurance and membership fees	60	375
VAT difference	640	530
goodwill impairment	38 735	138 182
revaluation write-offs	22 023	1 915
other	(858)	22 734
Income (loss)	**3 051**	**(86 566)**
Taxable income	**52 928**	**14 048**
Deductions from income	**(45 293)**	**(1 926)**
- tax loss from previous years	(32 269)	(1 926)
- donations	(447)	-
- other deductions	(12 577)	-
Income tax base	**7 635**	**12 122**
Income tax	**1 473**	**2 259**
Current income tax recognized (disclosed) in the tax declaration for the period, including:	**1 473**	**2 259**
- included in the profit and loss	1 473	2 259

(figures in PLN '000, unless stated otherwise)

Income tax in the income statement:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Current income tax:	**1 000**	**257**
- current income tax charge	1 473	2 259
- adjustments related to current income tax from previous years	(473)	(2 002)
Deferred tax:	**(10 872)**	**(28 578)**
- related to increase and decrease in temporary differences	(10 872)	(28 578)
Total	**(9 872)**	**(28 321)**

A portion of income tax was determined at the rate of 19% of the corporate income tax base for entities operating in Poland. For the foreign companies of Trakcja Group, the tax rate between 1 January 2020 and the end of 2020 was 15% in Lithuania, 21,4% in Sweden, 18% in Ukraine and 10% in Bulgaria.

Reconciliation of effective tax rate:

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

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Gross profit (loss)	**(119 858)**	**(313 369)**
Income tax at applicable income tax rate of 19%	(22 773)	(59 540)
Tax effect of the approach:		
Use of tax losses from previous years	(4 583)	(39)
Revaluation of deferred tax assets	3 224	804
Effect of varied interest rate within the Group	720	1 167
Tax revenues not constituting accounting revenues	168	1 398
Tax costs not constituting accounting costs	(4 285)	(3 967)
Non-tax revenues constituting accounting revenues	(3 863)	(3 889)
Non-tax costs constituting accounting costs	21 520	35 745
Income tax expense at the effective tax rate 8% (2019: 9%)	**(9 872)**	**(28 321)**

(figures in PLN '000, unless stated otherwise)

20.2. Income tax recognised in other comprehensive income

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Revaluation gains charged to revaluation capital		
Included in the gross amount	-	1 572
Income tax	-	(299)
Included in the net amount	**-**	**1 273**
Actuarial gains (losses)		
Included in the gross amount	158	116
Income tax	(24)	(22)
Included in the net amount	**134**	**94**
Cash flow hedging instruments		
Included in the gross amount	-	(1 771)
Income tax	-	266
Included in the net amount	**-**	**(1 505)**
Foreign exchange differences on translation of foreign operations		
Included in the gross amount	22 887	(1 842)
Included in the net amount	**22 887**	**(1 842)**

The Group does not compute deferred tax on foreign exchange differences arising from translation of foreign subsidiaries in accordance with IAS 12, as it controls the timing of reversal of temporary differences and these differences will not reverse in the foreseeable future. The value of unrecognised deferred tax liabilities (whose recognition would be included in the Group's equity) amounted to PLN 6,6684 thousand as at 31 December 2020.

20.3. Deferred income tax

The table below presents the impact of deferred tax assets and liabilities on profit or loss and equity:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Deferred tax asset	**135 326**	**125 742**
- through profit or loss	135 543	125 583
- through equity	(217)	159
Provision for deferred tax	**76 717**	**77 714**
- through profit or loss	72 400	73 290
- through equity	4 317	4 424

The table below presents the final periods in which deferred income tax assets on tax loss may be settled in accordance with the Corporate Income Tax Act:

As at 31.12.2020	**2021**	**2022**	**2023**	**2024**	**2025+**	**Total**
Defered tax assets concerning tax loss	1 049	5 439	11 255	13 228	8 237	**39 208**
As at 31.12.2019	**2020**	**2021**	**2022**	**2023**	**2024+**	**Razem**
Defered tax assets concerning tax loss	2 443	9 219	10 127	9 230	5 168	**36 187**

As at 31 December 2020, the Group did not recognise a deferred tax asset on tax loss of PLN 2,585 thousand (31 December 2019: PLN 5,027 thousand), as it is not probable that future taxable profit will be available against which the unused losses and unused tax credits can be utilized.

(figures in PLN '000, unless stated otherwise)

In accordance with the Corporate Income Tax Act, unrealised or written off assets on account of unused tax losses may be settled in the following periods:

As at 31.12.2020	2021	2022	2023	2024	2025+	Total
The amount of not established/written down asset due to tax losses	99	2 310	62	57	57	**2 585**

As at 31.12.2019	2020	2021	2022	2023	2024+	Total
The amount of not established/written down asset due to tax losses	2 922	1 018	948	70	69	**5 027**

(figures in PLN '000, unless stated otherwise)

Deferred tax assets Title of temporary differences	1.01.2019 Audited	Increase / Decrease	31.12.2019 Audited	Increase / Decrease	31.12.2020 Audited
Provision for bonuses	871	121	992	(473)	519
Provision for the audit	45	4	49	1	50
Provision for correction works	2 345	419	2 764	(123)	2 641
Provision for losses on contracts	8 676	6 273	14 949	(6 871)	8 078
Provisions for retirement and pensions	709	50	759	(59)	700
Provision for jubilee awards	440	(209)	231	5	236
Provision for unused leaves	2 568	(450)	2 118	389	2 507
Valuation allowance for trade receivables	2 349	849	3 198	795	3 993
Valuation allowance for other current assets	116	(1)	115	263	378
Unrealized foreign exchange losses	7	26	33	207	240
Accrued interest on liabilities	280	409	689	849	1 538
Interest on receivable write-offs	108	1	109	-	109
Non-tax costs related to ongoing long-term contracts	44 945	7 954	52 899	(6 092)	46 807
Surpus of invoiced revenues over actual revenues - valuation of long-term contracts	3 783	3 802	7 585	9 018	16 603
The positive difference between the balance sheet depreciation and the tax depreciation	48	(2)	46	5	51
Tax loss	18 820	17 367	36 187	3 021	39 208
Unpaid wages and unpaid social security contributions	522	582	1 104	2 402	3 506
Other	1 917	144	2 061	5 378	7 439
Foreign exchange differences	272	(418)	(146)	869	723
Total before compensation	**88 821**	**36 921**	**125 742**	**9 584**	**135 326**
Deferred tax assets with deferred tax reserve compensation	(60 405)	(10 582)	(70 987)	(732)	(71 719)
Total after compensation	**28 416**	**26 339**	**54 755**	**8 852**	**63 607**

(figures in PLN '000, unless stated otherwise)

Surplus of actual revenues over invoiced revenues - valuation of long-term contracts	1.01.2019 Audited	Increase / Decrease	31.12.2019 Audited	Increase / Decrease	31.12.2020 Audited
Surplus of actual revenues over invoiced revenues - valuation of long-term contracts	28 870	5 407	34 277	(7 351)	26 926
Non-tax revenue relating to long-term contracts	12 165	1 294	13 459	2 728	16 187
The negative difference between the balance sheet depreciation and the tax depreciation	18 048	1 651	19 699	672	20 371
Unrealized foreign exchange profits	47	35	82	(28)	54
Interest accrued on deposits, on financial assets	156	63	219	172	391
The right to perpetual usufruct	367	244	611	-	611
Revaluation of fixed assets to fair value	2 151	(94)	2 057	(185)	1 872
Investment property fair value adjustment	1 885	91	1 976	181	2 157
Other	5 204	264	5 468	1 629	7 097
Foreign exchange differences	370	(504)	(134)	1 185	1 051
Total before compensation	**69 263**	**8 451**	**77 714**	**(997)**	**76 717**
Deferred tax assets with deferred tax reserve compensation	(60 405)	(10 582)	(70 987)	(732)	(71 719)
Total after compensation	**8 858**	**(2 131)**	**6 727**	**(1 729)**	**4 998**

The Group decided not to present movements in the period broken down into portions recognised in profit or loss and in equity due to minor significance of movements affecting the revaluation reserve.

(figures in PLN '000, unless stated otherwise)

21. Discontinued operations

No operations were discontinued in 2020 or 2019.

22. Earnings (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.

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Net profit (loss) from continued operations	(109 986)	(285 048)
Net profit applied to calculate diluted earnings per share	(109 306)	(285 048)
Zysk (strata) netto z działalności kontynuowanej przypadający na akcjonariuszy Jednostki dominującej	(109 785)	(285 430)
Net profit attributable to shareholders of Parent entity applied to calculate diluted earnings per share	(109 105)	(285 430)
Number of issued shares (pcs)	86 450 976	86 450 976
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	86 450 976	54 472 550
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	97 021 247	54 472 550

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

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
- basic	(1.27)	(5.23)
- diluted	(1.13)	(5.23)

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

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
- basic	(1.27)	(5.23)
- diluted	(1.13)	(5.23)

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

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
- basic	(1.27)	(5.24)
- diluted	(1.12)	(5.24)

(figures in PLN '000, unless stated otherwise)

23. Property, plant and equipment

Structure of fixed assets:

	31.12.2020 Audited	31.12.2019 Audited
Fixed assets, including:	285 096	285 967
- land (including right of perpetual usufruct)	26 297	25 722
- buildings, premises, civil and water engineering structures	54 053	52 215
- technical equipment and machines	119 036	119 419
- vehicles	77 216	78 804
- other fixed assets	8 494	9 807
Fixed assets under construction	161	261
Total	**285 257**	**286 228**

Movements in fixed assets:

Financial year ended 31.12.2020 Audited	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Net book value at the beginning of the year	**77 937**	**119 419**	**78 804**	**9 807**	**261**	**286 228**
Increases - purchase	946	11 074	7 793	1 283	439	21 535
Zwiększenia z tytułu wynajmu ujmowane zgodnie z MSSF 16	8 131	326	-	-	-	8 457
Other increases	1 145	848	208	41	1 658	3 900
Movements between categories	385	(485)	1 796	28	(1 724)	-
Sale	-	(59)	(481)	-	-	(540)
Liquidation	-	(161)	(1 761)	(5)	-	(1 927)
Depreciation	(8 162)	(14 357)	(10 601)	(3 261)	(2)	(36 383)
Other decreases	(893)	(382)	-	-	(518)	(1 793)
Variances due to currency translation	861	2 813	1 458	601	47	5 780
Net book value at the end of the year	**80 350**	**119 036**	**77 216**	**8 494**	**161**	**285 257**

Stan na 31.12.2020r. Badane						
Koszt lub wartość z wyceny (brutto)	122 286	286 115	173 893	44 052	336	626 682
Umorzenie i łączne dotychczasowe odpisy z tytułu utraty wartości	(42 797)	(169 892)	(98 135)	(36 159)	(222)	(347 205)
Różnice kursowe z przeliczenia	861	2 813	1 458	601	47	5 780
Wartość księgowa netto	**80 350**	**119 036**	**77 216**	**8 494**	**161**	**285 257**

(figures in PLN '000, unless stated otherwise)

Financial year ended 31.12.2019 Audited	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Net book value at the beginning of the year	**36 513**	**131 607**	**85 714**	**11 851**	**31 600**	**297 285**
Increases - purchase	7 618	7 960	5 126	1 936	1 700	24 340
Other increases	14 568	1 155	356	-	-	16 079
Movements between categories	29 253	-	1 970	32	(31 255)	-
Sale	(344)	(6 046)	(767)	(109)	(2 162)	(9 428)
Liquidation	(269)	-	(2 815)	(48)	-	(3 132)
Depreciation	(7 221)	(14 626)	(10 653)	(3 450)	-	(35 950)
Deconsolidation of subsidiaries	(111)	(341)	(53)	(398)	-	(903)
Other decreases	(2 009)	(4)	-	-	(2)	(2 015)
Variances due to currency translation	(61)	(286)	(74)	(7)	380	(48)
Net book value at the end of the year	**77 937**	**119 419**	**78 804**	**9 807**	**261**	**286 228**

As at 31.12.2019 Audited						
(Gross) cost or value from valuation	113 976	283 123	174 726	44 174	104	616 103
Depreciation and impairment write-offs	(35 978)	(163 418)	(95 848)	(34 360)	(223)	(329 827)
Variances due to currency translation	(61)	(286)	(74)	(7)	380	(48)
Net book value	**77 937**	**119 419**	**78 804**	**9 807**	**261**	**286 228**

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

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

Ownership structure of fixed assets:

Stan na dzień 31.12.2020 r. Badane	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Proprietary	60 176	76 783	30 856	8 494	162	**176 471**
Used on the basis of lease, rental or other agreement, including leasing agreement	20 173	42 253	46 360	-	-	**108 786**
Total	**80 349**	**119 036**	**77 216**	**8 494**	**162**	**285 257**

(figures in PLN '000, unless stated otherwise)

As at 31.12.2019 Audited	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Proprietary	60 181	76 006	30 290	9 807	261	176 544
Used on the basis of lease, rental or other agreement, including leasing agreement	17 756	43 413	48 514	-	-	109 684
Total	**77 937**	**119 419**	**78 804**	**9 807**	**261**	**286 228**

Under the perpetual usufruct right, the Group holds land classified as Land, buildings and structures with a net value of PLN 26,192 thousand (31 December 2019: PLN 24,400 thousand).

Tabela ruchu środków trwałych używanych na podstawie umów najmu, dzierżawy i innych umów leasingu:

Financial year ended 31.12.2020 Audited	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Net book value at the beginning of the year	17 756	43 413	48 514	-	-	**109 684**
Depreciation	(4 874)	(3 791)	(5 614)	-	-	(14 279)
Assets under new leases	8 131	7 410	8 733	-	-	24 274
Other increases / decreases	(895)	(5 302)	(5 527)	-	-	(11 724)
Exchange differences from conversion	54	523	254	-	-	831
Net book value at the end of the year	**20 173**	**42 253**	**46 360**	**-**	**-**	**108 786**

Information on property, plant and equipment pledged as collateral is presented in Note 53.

24. Investment property

The table below presents changes in investment properties during the year:

(figures in PLN '000, unless stated otherwise)

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
As at start of period (by type groups):	**22 447**	**20 445**
- land	19 849	17 819
- buildings, premises, civil and water engineering structures	2 598	2 626
Increases:	**4 765**	**2 236**
- land	4 765	2 236
- value update based on an external valuation	1 549	-
- increases due to IFRS 16	-	2 236
- revaluation in relation to the change of the perpetual usufruct fee for land	3 210	-
- exchange rate differences	6	-
Decreases	**(625)**	**(234)**
- land	(343)	(206)
- value update based on an external valuation	(311)	(205)
- exchange rate differences	-	(1)
- other	(32)	-
- buildings, premises, civil and water engineering structures	(282)	(28)
- value update based on an external valuation	(282)	(28)
As at end of period (by type groups):	**26 587**	**22 447**
- land	24 271	19 849
- buildings, premises, civil and water engineering structures	2 316	2 598

The Group recognises investment properties at fair value. Fair value of the Group's investment properties as at December 31, 2020 and December 31, 2019 was estimated based on the valuation carried out as at those days by an independent expert with suitable professional qualifications in evaluating properties and with up-to-date experience in evaluating properties at the locations similar to those of the Group's assets. The Group also verifies the obtained opinions on fair value by analysing the data derived from the active market (market prices) of similar investment properties with similar location and in similar condition. Such analyses are carried out by persons who have knowledge of the market.

The Group's buildings classified as investment properties are measured applying the cost method. In accordance with IFRS 13, the cost method reflects the amount that would be necessary at a given moment in order to recreate the rate of return on a given asset (often called the current replacement cost). In many situations, the current replacement cost method is used for establishing fair value of mineral assets that are used in combination with other assets or with other assets and liabilities. The properties measured fall into the category of the regional market, and their construction elements are measured using the cost-based approach, the cost replacement method and the analysis ratios and integrated elements.

Fair value of land that forms part of the investment properties is measured through the reference to the market transaction prices for similar properties (comparable method). Comparative approach involves the measurement of the property based on the assumption that its value should be equal to the price for similar properties traded on the market, adjusted considering characteristics that differ such properties (i.e. location, development or surface) and determined taking into account changes in prices in time.

Sensitivity analysis demonstrates that the comparable method is sensitive to changes in the prices of similar properties selected for evaluation.

The „Złoże kruszywa naturalnego Nowowola" property owned by PEUiM Sp. z o.o. was measured using the income method and the discounted income flow approach. This approach is based on the expected cash flows, unadjusted for risk, and the adjusted discount rate which takes into account a risk premium required by the participants in the market. The rate was calculated using the CAPM model and adopted at 10.51%. The valuation was based on the 10-year projections of income on the property. The value of income on the property was determined by the analysis of the local market data and the details regarding the deposit resources. The residua value of land after the completion of deposit production was determined on the basis of the analysis of average transaction prices for low-graded agricultural land in the Podlaskie Province. The income method is sensitive to the discount rate and the expected income flows from the property.

Sensitivity analysis shows that the market valuation model is sensitive mainly to the prices of similar properties selected for evaluation, and the cost model is sensitive to the replacement cost and the adopted degree of wear and tear.

Fair value is determined using techniques and methods which are appropriate considering the circumstances and for which sufficient data is available, with the maximum use of the relevant observable inputs and the minimum use of the unobservable inputs.

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

(figures in PLN '000, unless stated otherwise)

	Valuation technique used	Unobservable input data	Link between unobservable input data and fair value
Office - land	Comparative approach	Location (20%) Accessibility (20%) Function in development plan/study (20%) Development state, size and shape of the plot (20%) Location, accessibility (10%) Ownership form (10%)	these factors affect the value of the weighting adopted in measuring the fair value of real estate
		Average market price of comparable real estate	an increase in the market value of comparable real estate will increase the fair value of real estate
Office and warehouse properties	Cost approach	Replacement cost value	increase in the replacement cost will increase the fair value of real estate
		Requisite degree of technical wear 50%-85%	higher the degree of technical wear adversely affect the fair value of the property
Land property	Income approach	Location (35%) Accesibility (20%) Development state (25%) Size and shape of the plot (20%)	these factors had an impact on the measurement of the fair value of the property
		Average market price of comparable real estate	an increase in the market value of comparable real estate will increase the fair value of real estate
Aggregate deposits	Income approach	Discount rate 6.64%	an increase of discount rate will decrease the fair value of real estate
		operational resource of the deposit 1.349 tys. ton	an increase of expected deposit capacity will increase the fair value of real estate
		average sale price of aggregate 16,00 zł/Mg	an increase of average sale price of aggregate will increase the fair value of real estate

(figures in PLN '000, unless stated otherwise)

In 2020 the measurement method remained unchanged

Investment properties were measured by an independent expert based on the market data as at December 31, 2020.

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

The measurement of investment properties as at December 31, 2020 demonstrated a decrease in their value in the amount of PLN 956 thousand which was recognised in the other operating costs.

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

:

	31.12.2020 Audited	Level 1	Level 2	Level 3
Investment property:	**26 587**	**-**	**-**	**26 587**
Offices	22 331	-	-	22 331
Land	2 049	-	-	2 049
Deposits of natural aggregates	2 207	-	-	2 207

	31.12.2019 Audited	Level 1	Level 2	Level 3
Investment property:	**22 447**	**-**	**-**	**22 447**
Offices	17 875	-	-	17 875
Land	1 974	-	-	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 the quoted market prices – set directly (by comparison with actual transactions) or indirectly (by application of measurement methods based on actual transactions);

Level 3 – prices other than prices in active markets.

No property was reallocated between levels 1, 2 and 3 during the financial year.

Reconciliation of the opening and closing balance of goodwill is as follows:

	Year ended	
	31.12.2020 Audited	**31.12.2019 Audited**
As at the beginning of the period (Level 3)	**22 447**	**20 445**
Increases due to IFRS 16	-	2 236
Increases due to changes in perpetual usufruct fees for land	3 210	-
Gains (losses) recognized in profit and loss account	956	(233)
Exchange rate differences	6	(1)
-other	(32)	-
As at the end of the period (Level 3)	**26 587**	**22 447**
Unrealised profits (losses) in the period recognised in P&L (as other operating costs or revenues)	956	(233)

(figures in PLN '000, unless stated otherwise)

Rental income and direct operating expenses related to investment property were as follows:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Rental income from investment property	287	592
Direct operating costs from investment property that during the period generated rental income	(109)	(458)
Direct operating costs from investment property that during the period did not generate rental income	(76)	-

No Investment property was pledged as collateral, as described in detail in Note 53.

25. Goodwill on consolidation

As at the balance sheet date, the Group's consolidated financial statements contain goodwill with a total value of PLN 187,269 thousand (31 December 2019: PLN 217,715 thousand), recognised in the following balance sheet items:

- goodwill on consolidation: PLN 138,537 thousand (31 December 2019: PLN 168,983 thousand);

- intangible assets: PLN 48,732 thousand (31 December 2019: PLN 48,732 thousand).

Goodwill on consolidation

	31.12.2020 Audited	31.12.2019 Audited
Goodwill at cost	401 229	392 940
Acumulated impairment	(262 692)	(223 957)
Goodwill after all write-offs	**138 537**	**168 983**

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Balance at the beginning of the period	**168 983**	**308 782**
Decreases	**(38 735)**	**(138 182)**
Impairment charged to P&L during the year	(38 735)	(138 182)
Exchange rate differences	**8 289**	**(1 617)**
Balance at the end of the period	**138 537**	**168 983**

Allocation of goodwill to cash-generating units ("CGUs") net of impairment losses

For the purpose of impairment testing as at 31 December 2020, goodwill was allocated to the following cash generating units:

(figures in PLN '000, unless stated otherwise)

As at 31.12.2020 Audited	**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 Gr. AB Kauno Tiltai**	**CGU: PRK7 Nieruchomości**	**Total**
Allocated goodwill before recognition of write-downs	**58 160**	**28 374**	**95 955**	**4 780**	**187 269**
recognized in goodwill on consolidation	9 428	28 374	95 955	4 780	138 537
recognized in intangible assets	48 732	-	-	-	48 732

As at 31.12.2019 Audited	**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 Gr.AB Kauno Tiltai**	**CGU: PRK7 Nieruchomości**	**Total**
Allocated goodwill before recognition of write-downs	**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

Goodwill impairment test

As at 31 December 2020, goodwill allocated to all cash-generating units was tested for impairment. The recoverable amount of CGUs 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 long term 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 (+/-),
- increased risk of payment backlogs and even insolvency (-).

Bearing in mind the number of variables and uncertainty associated with the direction of developments as regards the pandemic and its effects, the result of value impairment tests in the future may be subject to deviations in excess of the assumed levels of a rational modification of key premises on the date of approval of the financial statements for publication.

(figures in PLN '000, unless stated otherwise)

Main assumptions adopted for goodwill impairment testing

As at 31.12.2020	**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: Companies from AB Kauno Tiltai Group**
WACC before taxation	9.5%	9.5%	9.5%	8.5%
WACC after tax	7.7%	7.7%	7.7%	7.2%
EBITDA margin	3,3% - 6,8%	2.3% - 5.4%	5.7% - 11.5%	3.7% - 5.3%
Growth rate in the residual period	2.0%	2.0%	2.0%	2.0%

As at 31.12.2019	**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: Companies from AB Kauno Tiltai Group**
WACC before taxation	12.6%	12.5%	12.5%	11.3%
WACC after tax	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 at 31 December 2020, the impairment test carried out resulted in the impairment of goodwill allocated to CGU comprising companies from the AB Kauno Tiltai group in the amount of PLN 38,735 thousand

As at 31 December 2019, the impairment test carried out resulted in the impairment of goodwill allocated to CGU comprising companies from the AB Kauno Tiltai group in the amount of PLN 128,815 thousand and CGU comprising PEUiM Sp. z o.o., Dalba Sp. z o.o. and PDM S.A. in the amount of PLN 9,367 thousand.

The impairment loss was presented in a separate item of the consolidated income statement.

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%	27 453	(27 453)
WACC	+/- 0,25 p.p.	(20 459)	22 296

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.

(figures in PLN '000, unless stated otherwise)

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

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	2 562	(2 562)
WACC	+/- 0,25 p.p.	(2 170)	2 363

For the above CGUs, an impairment loss was recognised as at 31 December 2020, therefore any additional change in the above parameters would result in a change in the recognised impairment loss on goodwill.

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%	14 976	(14 976)
WACC	+/- 0,25 p.p.	(14 146)	15 593

For the above CGUs, an impairment loss was recognised as at 31 December 2019, therefore any additional change in the above parameters would result in a change in the recognised impairment loss on goodwill.

Sensitivity analysis for CGU comprising PRK7 Nieruchomości

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	947	(947)
WACC	+/- 0,25 p.p.	(1 280)	1 391

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.

(figures in PLN '000, unless stated otherwise)

26. Intangible assets

Structure of intangible assets:

	31.12.2020 Audited	31.12.2019 Audited
Research and development costs	436	756
Goodwill	48 732	48 732
Acquired concessions, patents, licences and similar items of value	2 779	1 342
- software	2 512	1 019
Intangible assets under construction	314	559
Total	**52 261**	**51 389**

(figures in PLN '000, unless stated otherwise)

Movements in intangible assets:

Financial year ended 31.12.2020 Audited	**Research and development expenses**	**Goodwill**	**Software licences**	**Other licences, concessions, patents**	**Intangible assets under construction**	**Total**
Net book value at the beginning of the year	**756**	**48 732**	**1 019**	**323**	**559**	**51 389**
Increases	-	-	1 981	18	146	**2 145**
Other increases	-	-	175	-	-	**175**
Movements	-	-	366	-	(366)	**-**
Disposal	-	-	(164)	-	-	**(164)**
Amortization	(320)	-	(911)	(81)	-	**(1 312)**
Other decreases	-	-	-	-	(25)	**(25)**
Variances due to currency translation	-	-	46	7	-	**53**
Net book value at the end of the year	**436**	**48 732**	**2 512**	**267**	**314**	**52 261**

As at 31.12.2020 Audited						
(Gross) cost or value from valuation	8 908	48 732	13 174	570	314	**71 698**
Amortization and impairment write-offs	(8 472)	-	(10 708)	(310)	-	**(19 490)**
Variances due to currency translation	-	-	46	7	-	**53**
Net book value	**436**	**48 732**	**2 512**	**267**	**314**	**52 261**

(figures in PLN '000, unless stated otherwise)

Financial year ended 31.12.2019 Audited	Research and development expenses	Goodwill	Software licences	Other licences, concessions, patents	Intangible assets under construction	Total
Net book value at the beginning of the year	**1 470**	**48 733**	**1 499**	**297**	**347**	**52 348**
Increases	-	-	893	85	212	**1 190**
Liquidation	-	-	(12)	-	-	**(12)**
Amortization	(714)	-	(1 357)	(53)	-	**(2 126)**
Other decreases						
Variances due to currency translation	-	(1)	(4)	(6)	-	**(11)**
Net book value at the end of the year	**756**	**48 732**	**1 019**	**323**	**559**	**51 389**
As at 31.12.2019 Audited						
(Gross) cost or value from valuation	8 926	48 733	10 890	750	559	**70 572**
Amortization and impairment write-offs	(8 170)	-	(9 867)	(421)	-	**(19 172)**
Variances due to currency translation	-	(1)	(4)	(6)	-	**(11)**
Net book value	**756**	**48 732**	**1 019**	**323**	**559**	**51 389**

(figures in PLN '000, unless stated otherwise)

Ownership structure of intangible assets:

	31.12.2020 Audited	31.12.2019 Audited
Proprietary	52 261	51 389
Total	**52 261**	**51 389**

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

Information about collaterals on intangible assets can be found in note 53.

27. Other financial assets

	31.12.2020 Audited	31.12.2019 Audited
Financial assets valued at amortised cost	**11 065**	**18 901**
Deposits	9 031	14 173
Loans granted and own receivables	242	-
Other bank deposits	1 792	4 728
Total	**11 065**	**18 901**
including:		
- recognised as non-current assets	6 425	6 202
- recognised as current assets	4 640	12 699

In 2020, there was no impairment of individual financial assets.

The financial assets related to concession agreement are described in detail in Note 53 of the Notes to the consolidated annual financial statements for 2020.

28. Joint operations

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.

The table below depicts the amounts of revenues and expenses attributable to consortium participants that have not been recognized in the Group's profit and loss account.

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Sales revenue	99 867	104 694
Cost of goods sold	(99 105)	(100 830)
Gross profit (loss) on sales	**762**	**3 864**

(figures in PLN '000, unless stated otherwise)

In the balance sheet as of December 31, 2020, the Group did not recognize trade receivables attributable to consortium partners in the amount of kPLN 17,554 (as of 31.12.2019: kPLN 17,771) and trade liabilities attributable to consortium partners in the amount of kPLN 17,591 (as of 31.12.2019: kPLN 19,206).

29. Prepayments

Prepayments by type:

	31.12.2020 Audited	31.12.2019 Audited
insurance and insurance guarantees	15 019	16 616
Repairs	851	497
repair and maintenance of wagons, locomotives	4 417	4 288
Other prepayments and accruals	1 322	1 352
Total	**21 609**	**22 753**

Prepayments by age:

	31.12.2020 Audited	31.12.2019 Audited
Long-term	8 514	6 179
Short-term	13 095	16 574
Total	**21 609**	**22 753**

30. Inventories

	31.12.2020 Audited	31.12.2019 Audited
Materials	81 110	110 171
Semi-finished goods and products in progress	19 895	16 476
Finished goods	985	651
Merchandise	13 940	9 021
Total, gross inventory	**115 930**	**136 319**
Inventory revaluation write-offs	**(2 785)**	**(929)**
Materials	78 372	109 290
Semi-finished goods and products in progress	19 895	16 476
Finished goods	958	624
Merchandise	13 920	9 000
Total, net inventory	**113 145**	**135 390**

Costs of inventories recognised in operating expenses of the current period amounted to PLN 383,606 thousand (PLN 342,675 thousand in 2019).

(figures in PLN '000, unless stated otherwise)

Change in impairment losses on inventories:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Balance at the beginning of the period	**929**	**760**
Increases	**1 854**	**200**
Establishment	1 854	200
Decreases	**(100)**	**(41)**
Use	-	(5)
Dissolution	(100)	(36)
Exchange rate differences	**102**	**10**
Balance at the end of the period	**2 785**	**929**

The recognition and reversal of impairment losses on inventories were included in "Cost of sales" in the consolidated income statement. Impairment losses on inventories are recognised in accordance with the principles set out in Note 9.13.

Inventories have been pledged as collateral, as described in Note 53.

31. Trade and other receivables

Structure of trade and other receivables:

	31.12.2020 Audited	31.12.2019 Audited
Gross trade receivables, before discounting	**341 650**	**324 865**
Total, gross trade receivables	**341 650**	**324 865**
including:		
- receivables from related entities	*95*	-
Budgetary receivables	1 652	3 612
Receivables claimed in court	9 843	4 865
Receivables from sale of property	53 000	53 000
Other receivables from third parties	33 058	49 353
Amounts held	72 329	36 729
Advances paid	6 281	3 920
Total, gross trade and other receivables	**517 813**	**476 344**
Expected credit loss	(97 712)	(76 595)
Total	**420 101**	**399 749**

Receivables from related parties are disclosed in Note 55.

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

- Based on historical experience,
- Determines fixed % of allowances,

(figures in PLN '000, unless stated otherwise)

- The tables differ depending on the historical experience of each customer group,

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

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

For two financial years prior to the year under analysis (T-2 and T-1), the Group determines how many invoices issued during the year were finally paid in each of the brackets. On this basis, the next statement is created – a cumulative statement of total sales on invoices for subsequent periods (how many of the invoices issued in a given year were in the bracket of 0-30 days past due for at least 1 day, how many invoices were in the bracket of 31-60 days for at least 1 day, etc. up to the amount of invoices that were never paid).

The amount of receivables unpaid is applied to each of the aggregated amounts in order to calculate the portion of the receivables in a given bracket that will not be recovered. This percentage is used as the allowance ratio for the bracket. The amount of unpaid receivables may be adjusted either upwards or downwards depending on the Group's expectations concerning future non-recoverable amounts due to trends in the factors affecting the recoverability of receivables.

weights are assigned to the allowance ratios for each year under review and the weighted average allowance ratio is calculated for each bracket.

This calculation method ensures calculation of future expected credit losses based on historical loss experience for each age bracket of receivables and enables modification of the allowance ratio for expected changes in the recoverability of receivables.

Trade receivables and retentions:

	31.12.2020 Audited	31.12.2019 Audited
Net trade receivables		
With maturity within 12 months	365 191	354 568
With maturity over 12 months	31 510	8 644
Total, net trade receivables after discounting	**396 701**	**363 212**

Receivables maturing in more than 12 months include retentions which serve as additional security for the proper performance of contracts.

The Group decided not to recognise the discount of long-term receivables due to their immateriality.

(figures in PLN '000, unless stated otherwise)

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

	31.12.2020 Audited	31.12.2019 Audited
Up to 12 months	48 909	32 052
Over 12 months	23 420	4 677
Total	**72 329**	**36 729**

Trade receivables bear no interest and are usually payable within 30 days.

The Group operates a policy of selling its products and services only to customers whose credibility has been verified. The management believes that thanks to this policy there is no additional credit risk beyond the level defined by the impairment losses recognised with respect to uncollectible trade receivables of the Group. As at the balance sheet date, receivables from PKP PLK S.A. account for 28% of the total receivables of Trakcja Group. (31.12.2019 r.: 27%).

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

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

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
As at start of period	**76 595**	**72 524**
Increases	**24 956**	**12 847**
Establishment	24 956	12 847
Decreases	**(4 010)**	**(8 754)**
Use	(1 627)	(269)
Dissolution	(2 383)	(8 485)
Variances due to currency translation	**171**	**(22)**
As at end of period	**97 712**	**76 595**

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

Trade receivables and retentions by maturity:

	31.12.2020 Audited	31.12.2019 Audited
Up to 1 month	168 528	182 244
From 1 month to 3 months	27 840	22 875
From 3 months to 6 months	23 017	8 139
From 6 months to 1 year	13 607	11 155
More than 1 year	29 054	10 233
Overdue receivables	134 655	128 566
Total, net trade receivables	**396 701**	**363 212**

(figures in PLN '000, unless stated otherwise)

Structure of overdue receivables and retentions:

	31.12.2020 Audited	31.12.2019 Audited
Up to 1 month	75 044	22 585
From 1 month to 3 months	22 816	5 290
From 3 months to 6 months	5 335	59 192
From 6 months to 1 year	5 831	7 506
More than 1 year	95 908	84 693
Total, gross overdue trade receivables	**204 934**	**179 266**
Receivables revaluation write-offs oraz expected credit loss	(70 279)	(50 700)
Total, net overdue trade receivables	**134 655**	**128 566**

Structure of overdue and non-overdue receivables and retentions by impairment recognition method:

Currency structure of gross trade and other receivables:

	31.12.2020 Audited	31.12.2019 Audited
In PLN	425 304	394 612
In foreign currencies - after conversion into PLN, including:	92 509	81 732
in EUR	84 314	69 754
in SEK	5 347	5 694
in UAH	2 848	6 284
Total	**517 813**	**476 344**

Receivables claimed in court:

	31.12.2020 Audited	31.12.2019 Audited
Receivables claimed in court	9 843	4 865
Receivables revaluation write-offs oraz expected credit loss	(7 079)	(4 859)
Total	**2 764**	**6**

32. Cash and cash equivalents

Cash at bank bears interest at variable interest rates which depend on the daily interest rate of bank deposits.

Short-term deposits have terms which differ from one day to one month depending on the Group's actual requirement for cash and they bear interest accrued according to the negotiated interest rates.

As of the balance sheet date, the Group had unused credit lines (overdrafts and working capital facilities) in the amount of PLN 84.7 million (as of 31.12.2019: PLN 83.4 million), which guarantees the companies of the Trakcja Group the continuity of funding in respect of their current operations.

(figures in PLN '000, unless stated otherwise)

Cash and cash equivalents disclosed in the consolidated balance sheet and in the consolidated statement of cash flows consisted of the following items:

	31.12.2020 Audited	31.12.2019 Audited
Cash in hand	44	127
Cash at bank	133 394	76 340
Other cash - deposits	2 740	31 006
Total cash and cash equivalents	**136 178**	**107 473**
Cash and cash equivalents excluded from cash flow statement	(272)	(12)
Cash and cash equivalents presented in cash flow statement	**135 906**	**107 461**

Cash excluded from the statement of cash flows as at 31 December 2020 comprises cash blocked on the property development project accounts in the amount of PLN 272 thousand) 31 December 2019 PLN 12 thousand).

Currency structure of cash and cash equivalents:

	31.12.2020 Audited	31.12.2019 Audited
In PLN	22 306	67 577
In foreign currencies - after conversion into PLN, including:	113 872	39 896
in EUR	99 189	23 986
in SEK	14 667	15 812
in DKK	-	1
in UAH	-	97
in BGN	16	-
Total	**136 178**	**107 473**

Cash at banks – ratings:

	31.12.2020 Audited	31.12.2019 Audited
Bank with AA- rating	2 368	-
Bank with A+ rating	68	27 710
Bank with A rating	3	104
Bank with A- rating	14 677	17 731
Bank with BBB+ rating	99 400	30 035
Bank with BBB rating	24	5 460
Bank with BBB- rating	19 887	24 573
Bank with BB rating	-	674
Bank without rating	20	78
Total	**136 447**	**106 365**
Cash in hand	44	127
Balance (note 59)	(313)	981
Cash at the end of the period	**136 178**	**107 473**

The rating assessment has been prepared on the basis of renown rating agencies (in the first place, based on Fitch Ratings, and in the event of no Fitch Ratings assessment, the S & P assessment is employed).

(figures in PLN '000, unless stated otherwise)

33. Explanatory notes to the consolidated statement of cash flows

The difference between proceeds from the issue of bonds in the cash flow statements and the nominal value of the bonds follows from the fact that the amount receivable from Comsa S.A. for accepting the proposal of acquiring of Series G Bonds (PLN 7,674,000.00)was set off against Comsa S.A.'s receivables under the loan granted to Trakcja S.A.

Below please find explanations concerning selected items of the cash flow statement between the balance sheet modification and the modification presented in the cash flow statement:

Change in receivables	Year ended 31.12.2020 Audited
Balance sheet change in trade and other receivables	**(20 352)**
Foreign exchange differences	10 301
Change in receivables write-offs	(1 240)
Adjustment regarding receivables from the sale of fixed assets included in investing activities	(1 574)
Other exclusions of cashless transactions	(1 014)
Change in the cash flow statement	**(13 879)**

Change in inventory	Year ended 31.12.2020 Audited
Balance sheet change in inventories	**22 245**
Foreign exchange differences	3 567
Reclass between inventory items and accruals	4 929
Other exclusions of cashless transactions	12
Change in the cash flow statement	**30 753**

Change in liabilities	Year ended 31.12.2020 Audited
Balance sheet change in trade and other liabilities	**27 892**
Balance sheet change in liabilities due to employee benefits	**2 490**
Foreign exchange differences	(12 482)
Other exclusions of cashless transactions	706
Change in the cash flow statement	**18 606**

Change in prepayments and accruals and advances	Year ended 31.12.2020 Audited
Balance sheet change of accruals	**8 403**
Foreign exchange differences	241
Reclass between inventory items and accruals	(4 929)
Other exclusions of cashless transactions	(233)
Change in the cash flow statement	**3 482**

(figures in PLN '000, unless stated otherwise)

Change in provisions	Year ended 31.12.2020 Audited
Balance sheet change in provisions	**(33 805)**
Foreign exchange differences	(1 345)
Other exclusions of cashless transactions	363
Change in the cash flow statement	**(34 787)**

Change in settlements under contracts with customers	Year ended 31.12.2020 Audited
Balance sheet change in settlements under contracts with customers	**54 060**
Foreign exchange differences	291
Other exclusions of cashless transactions	24
Change in the cash flow statement	**54 375**

34. Settlements under contracts with customers

	31.12.2020 Audited	31.12.2019 Audited
Contracts with customers assets	**203 273**	**211 032**
Surplus of revenues resulting from degree of advancement over invoiced revenues	174 682	197 200
Advances paid towards contracts being performed	28 591	13 832
Contracts with customers liabilities	**200 551**	**154 250**
Surplus of invoiced revenues over revenues resulting from degree of advancement	100 675	41 287
Advances received towards contracts being performed	99 876	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.

(figures in PLN '000, unless stated otherwise)

Contracts with customers assets:

	31.12.2020 Audited	31.12.2019 Audited
Opening balance	**211 032**	**206 887**
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	140 875	171 750
(-) Invoicing	(149 795)	(167 225)
Foreign exchange differences	1 161	(380)
Closing balance	**203 273**	**211 032**

Contracts with customers liabilities:

	31.12.2020 Audited	31.12.2019 Audited
Opening balance	**154 250**	**141 258**
(+/-) Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	143 063	79 897
(-) Revenues recognized in the period included in balance of liabilities at the beginning of the period	(96 663)	(75 372)
(-) Invoicing	(4 647)	8 583
Foreign exchange differences	4 548	(116)
Closing balance	**200 551**	**154 250**

Advance payments for contracts in progress were included in short-term liabilities and will be settled during the performance of the contract as part of the normal operating cycle of the Group.

Change of Advances paid towards contracts being performed:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Opening balance	**13 832**	**6 044**
Increases: transfer of advances	52 447	7 924
Reductions: settlement of advances in the period	(38 873)	-
Foreign exchange differences	1 185	(137)
Closing balance	**28 591**	**13 832**

Change of Advances received towards contracts being performed:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Opening balance	**112 963**	**117 989**
Increases: receipt of advances	75 763	51 628
Reductions: settlement of advances against income for the period	(91 286)	(56 601)
Foreign exchange differences	2 436	(53)
Closing balance	**99 876**	**112 963**

Transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period (excluding the portion of revenue attributable to consortium members):

(figures in PLN '000, unless stated otherwise)

31.12.2020 r.	1 year	1-3 years	Over 3 years	Total
The transaction price attributed to the obligations to perform service that will be met within:	1 767 588	805 373	-	**2 572 961**

31.12.2019 r.	1 year	1-3 years	Over 3 years	Total
The transaction price attributed to the obligations to perform service that will be met within:	1 410 394	1 586 495	-	**2 996 889**

Contract costs recognised as an asset

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

35. Assets held for sale

On 30 November 2018, the Extraordinary General Meeting of Trakcja S.A. adopted a resolution to dispose of a real estate and perpetual usufruct of a real estate at ul. Oliwska 11 in Warsaw for a net price not lower than PLN 14 million. For or details, see CR 23/2018 and CR 20/2018. The planned transaction meets the conditions for classification of fixed assets as held for sale specified in IFRS 5. Therefore, the Group reclassified assets in the amount of PLN 5,037 thousand (segment: Civil engineering – Poland) to non-current assets held for sale. Currently, work is underway to obtain approvals and permits necessary for the sale of real estate. The deadline for finalizing the transaction, at the request of the contractor, was postponed for reasons related to the current COVID-19 pandemic. The company plans to finalize the transaction in the first half of 2021.

36. Capital risk management

The goal of the Group in managing the capital risk is maintaining the Group ability to continue the business and maintain optimum capital structure to provide return on investment to the shareholders. To maintain or adjust its capital structure, the Group may issue new shares, adjust the amount of dividends paid to shareholders, increase debt, or sell assets to reduce debt. The Group monitors its capital structure using the financing structure ratios. The ratios analysed by the Group, presented in the below table, allow for the acceptable credit rating to be maintained and confirm that the Group's capital structure supports its operating activities.

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

(figures in PLN '000, unless stated otherwise)

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

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

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

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

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

37. Equity

Share capital

As of December 31, 2020, the share capital was PLN 69,160,780.80 and was divided into 51,399,548 Series A ordinary bearer's shares, 10,279,909 Series B ordinary bearer's shares and 24,771,519 Series C registered shares with a nominal value of PLN 0.80 each. Each share grants one vote at the Issuer's General Meeting. All shares are fully paid up.

	31.12.2020 Audited	31.12.2019 Audited
	Nominal value 0,80 PLN	Nominal value 0,80 PLN
series A ordinary shares	51 399 548	51 399 548
series B ordinary shares	10 279 909	10 279 909
series C ordinary shares	24 771 519	24 771 519
Total	**86 450 976**	**86 450 976**

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

On February 6, 2020, by the decision of the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register under KRS, a conditional increase in the Company's share capital was entered into the commercial register. In relation to the foregoing, the Company's share capital was conditionally increased from PLN 69,160,780.80 by an amount no higher than PLN 13,023,288 by way of issuing no more than 16,279,110 series D ordinary bearer shares with a nominal value of PLN 0,80 per share. Series D shares may be held by holders of convertible bonds series F and G, which the Company intends to issue in the nearest future after all the formalities are met. Shares of series D, when bonds series F or G are converted into the Company's shares, shall be acquired at PLN 1.70 per share.

To the best knowledge of the Issuer's Management Board and in accordance with the notifications referred to in Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, shareholders that hold – directly or through subsidiaries – at least 5% of the total number of votes at the General Shareholders' Meeting as at the approval hereof were as follows:

(figures in PLN '000, unless stated otherwise)

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

*represented by Powszechne Towarzystwo Emerytalne PZU S.A.

Since the date of submission of the last interim report, i.e. 26 November 2020, to the date of publication of this report, the Parent Company received the following notifications under Article 69 of the Act on Public Offering:

Other capital reserves

Other capital reserves include:

- Reserve capital was created from surplus resulting from the sale of shares above nominal value. As of December 31, 2019, this capital was kPLN 340,561 and was decreased to kPLN 269,641 pursuant to the resolution of the Ordinary General Meeting of the Company of June 30, 2020 on the coverage of a part of the Company's loss for 2019 in the amount of kPLN 70,920 from this part of equity.

- Previous years' profits – capital arising from profits generated in the preceding financial years. The Parent Company is obliged to create a supplementary capital from at least 8% of the profit generated for a given financial year until it amounts to at least one third of share capital. Such capital reserves are non-distributable

- Actuarial gains (losses) – the Group recognises actuarial gains and losses on provisions for employee benefits in other comprehensive income and accumulates them in capital reserves. Such capital reserves are nondistributable.

- Equity component concerning bonds convertible to shares.

Revaluation reserve

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

assets.

Foreign exchange differences from conversion of foreign currencies

In the case of subsidiaries with functional currency other than PLN, the Parent Company translates their statements into PLN being the presentation currency. The resulting foreign exchange differences are recognized directly in equity as a separate item. The foreign exchange differences arising from the translation at the end of 2020 were PLN 35,181 thousand.

Undistributed profit/loss

The Group's undistributed profit or loss is the current profit or loss for a given financial year. Dividends may be distributed based on the financial profit specified in the separate annual financial statements of the Parent Company drawn up for statutory objectives.

(figures in PLN ‘000, unless stated otherwise)

Other comprehensive income by component of equity

	Equity attributable to shareholders of parent entity								
	Share capital	Share premium	Revaluation reserve	Other capital reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interest	Total equity
As at 31.12.2020									
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:	**-**	**-**	**-**	**132**	**-**	**-**	**132**	**2**	**134**
Actuarial gains/(losses)	-	-	-	132	-	-	132	2	134
Other comprehensive income, which will be reclassified to profit or loss:	**-**	**-**	**-**	**-**	**22 500**	**-**	**22 500**	**387**	**22 887**
Foreign exchange differences on translation of foreign operations	-	-	-	-	22 500	`	22 500	387	22 887
Other comprehensive net income	**-**	**-**	**-**	**132**	**22 500**	**-**	**22 632**	**389**	**23 021**

(figures in PLN '000, unless stated otherwise)

	Equity attributable to shareholders of parent entity								
	Share capital	**Share premium**	**Revaluation reserve**	**Other capital reserves**	**Foreign exchange differences on translation of foreign operations**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
As at 31.12.2019									
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:	**-**	**-**	**1 273**	**92**	**-**	**-**	**1 365**	**2**	**1 367**
Gains on revaluation charged to revaluation reserve	-	-	1 273	-	-	-	1 273	-	1 273
Actuarial gains/(losses)	-	-	-	92	-	-	92	2	94
Other comprehensive income, which will be reclassified to profit or loss:	**-**	**-**	**-**	**(1 476)**	**(2 738)**	**-**	**(4 214)**	**867**	**(3 347)**
Foreign exchange differences on translation of foreign operations	-	-	-	-	(2 738)	`	(2 738)	896	(1 842)
Cash flow hedging instruments	-	-	-	(1 476)	-	-	(1 476)	(29)	(1 505)
Other comprehensive net income	**-**	**-**	**1 273**	**(1 384)**	**(2 738)**	**-**	**(2 849)**	**869**	**(1 980)**

Non-controlling shares

The change in non-controlling shares is presented in the statement of changes in consolidated equity.

After conducting an analysis in this respect, the Management Board of the Parent Company decided that the amounts of equity attributable to non-controlling shares are immaterial and thus this statement, as per IFRS 12, does not contain any detailed information

(figures in PLN ‘000, unless stated otherwise)

38. Provisions

	Provisions for recultivation	Provisions for litigious liabilities	Provisions for correction works	Provisions for bonuses	Provisions for audit costs	Provision for expected losses on contracts	Other provisions	Total
As at 1.01.2020 Audited	**2 731**	**696**	**15 443**	**5 223**	**255**	**81 685**	**2 833**	**108 866**
Recognised in income statement:								
- provision creation	-	250	2 410	2 907	467	30 198	2 218	38 450
- release of unused provisions	-	(500)	(236)	(650)	(83)	(3)	(1 436)	(2 908)
- use of provisions	-	(33)	(1 590)	(4 402)	(288)	(64 045)	(334)	(70 692)
- variances due to currency translation	229	9	411	120	3	559	14	1 345
Total	**229**	**(274)**	**995**	**(2 025)**	**99**	**(33 291)**	**462**	**(33 805)**
As at 31.12.2020 Audited	**2 960**	**422**	**16 438**	**3 198**	**354**	**48 394**	**3 295**	**75 061**

(figures in PLN '000, unless stated otherwise)

	Provisions for recultivation	Provisions for litigious liabilities	Provisions for correction works	Provisions for bonuses	Provisions for audit costs	Provision for expected losses on contracts	Other provisions	Total
As at 1.01.2019 Audited	**2 758**	**703**	**13 286**	**4 864**	**304**	**48 748**	**1 442**	**72 105**
Recognised in income statement:								
- provision creation	-	21	4 228	9 176	286	77 686	2 271	93 668
- release of unused provisions	-	-	(70)	(7 309)	-	(1)	(416)	(7 796)
- use of provisions	-	(27)	(1 973)	(1 496)	(335)	(44 748)	(464)	(49 043)
- full consolidation method for a new Subsidiarv	-	-	-	-	-		-	-
- variances due to currency translation	(27)	(1)	(28)	(12)	-	-	-	(68)
Total	**(27)**	**(7)**	**2 157**	**359**	**(49)**	**32 937**	**1 391**	**36 761**
As at 31.12.2019 Audited	**2 731**	**696**	**15 443**	**5 223**	**255**	**81 685**	**2 833**	**108 866**

(figures in PLN '000, unless stated otherwise)

Struktura rezerw:

	31.12.2020 Audited	31.12.2019 Audited
Long-term	21 355	14 093
Short-term	53 706	94 773
Total	**75 061**	**108 866**

The provision for bonus is mainly comprises of provisions for bonuses paid to blue-collar and white-collar workers.

The provisions for improvement works have been estimated based on the knowledge of individual contract directors related to necessity or possibility of performing additional works for the benefit of the Principal, aimed at satisfying the terms and conditions of guarantee.

39. Employee benefit liabilities

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

	Year ended	
Provision for retirement and disability benefits	31.12.2020 Audited	31.12.2019 Audited
Beginning of period	**4 510**	**4 309**
Total costs recognised in profit and loss account:	**(201)**	**635**
- Interest costs	144	139
- Current service costs	(61)	530
- Past service costs	(284)	(34)
Actuarial losses (profit) recognised in other comprehensive income	132	94
Benefits paid	(154)	(502)
Exchange rate differences	218	(26)
End of period	**4 505**	**4 510**

	Year ended	
Provision for jubilee awards	31.12.2020 Audited	31.12.2019 Audited
Beginning of period	**1 214**	**2 321**
Total costs recognised in profit and loss account:	**167**	**696**
- Interest costs	27	51
- Current service costs	509	811
- Past service costs	(369)	(166)
Benefits paid	(138)	(1 803)
End of period	**1 243**	**1 214**

(figures in PLN '000, unless stated otherwise)

Liabilities on account of provisions for unused holiday entitlements and other employee benefits:

Provision for unused leaves	Year ended 31.12.2020 Audited	Year ended 31.12.2019 Audited
As at start of period Audited	**11 944**	**14 752**
Recognised in profit and loss account:	**2 117**	**(2 765)**
- provision creation	12 785	8 883
- release of unused provision	(3 064)	(1 811)
- use of provision	(7 604)	(9 837)
Variances due to currency translation	349	(43)
As at end of period Audited	**14 410**	**11 944**

Employee benefit liabilities by maturity:

	Provision for pension benefits	Provision for jubilee awards
During 1 year	915	1 143
From 1 to 4 years	911	100
Over 4 years	2 679	-
Total	**4 505**	**1 243**

The weighted average term of post-employment benefit liabilities is 3 years

Principles for recognising provisions for employee benefits*:*

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

To estimate the amount of provisions for employee benefits at the end of 2020, the Group applied a discount rate ranging from 1.18% to 3.6% (31 December 2019: 1.2% to 3.0%). The average expected salary growth in the Group was adopted at the level ranging from 1.8% to 4.0% (31 December 2019: 1.8% to 4.9%).

(figures in PLN '000, unless stated otherwise)

The sensitivity analysis of employee benefit liabilities is presented in the table below:

Factor applied	Reasonably possible change of the factor	Liability due to employee benefits	
		increase	decrease
Discount rate	+/- 1 p. p.	(268)	295
Salary increase rate	+/- 1 p. p.	335	(313)

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

40. Interest-bearing loans and borrowings

Long-term interest-bearing loans and borrowings:

	31.12.2020 Audited	31.12.2019 Audited
Bank loans	185 704	114 403
- investment loans	-	3 793
- working capital loans	167 841	110 610
- overdraft facility	17 863	-
Loans from other entities	13 470	180
- loans from third parties	13 470	180
Loans from related entities	20 959	27 600
Financial lease liabilities	61 019	65 674
Total	**281 152**	**207 857**

Short-term interest-bearing loans and borrowings:

	31.12.2020 Audited	31.12.2019 Audited
Bank loans	46 399	124 866
- investment loans	3 793	5 757
- working capital loans	38 087	99 662
- overdraft facility	4 519	19 447
Loans from other entities	3 105	2 357
- investment loans	246	2 310
- loans from third parties	2 859	47
Loans from related entities	6 933	7 724
Financial lease liabilities	29 694	18 843
Total	**86 131**	**153 790**
Total short and long term loan and credits	**367 283**	**361 647**

(figures in PLN '000, unless stated otherwise)

Currency structure of the Group's loans and borrowings:

	31.12.2020 Audited	31.12.2019 Audited
In PLN	345 265	334 227
In foreign currencies - after conversion into PLN, including:	22 018	27 420
in EUR	22 018	27 420
Total	**367 283**	**361 647**

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

Name of Company	Lender Creditor	Type of loan, credit	Amount by currency contracts (in thousands)	Contract Currency	Maturity date	Interests	Amount left to be paid
Trakcja S.A.	COMSA S.A.	loan from related entities	2 674	PLN	30.12.2021	WIBOR 1M + margin	82
Trakcja S.A.	COMSA S.A.	loan from related entities	5 000	PLN	30.12.2021	WIBOR 1M + margin	159
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related entities	27 600	PLN	31.12.2022	WIBOR 1M + margin	27 651
Trakcja S.A.	mBank S.A.	Working capital credit	15 000	PLN	31.12.2022	WIBOR 1M + margin	14 999
Trakcja S.A.	mBank S.A.	Working capital credit	15 000	PLN	31.12.2022	WIBOR 1M + margin	14 999
Trakcja S.A.	mBank S.A.	Overdraft	20 000	PLN	31.12.2022	WIBOR O/N + margin	2 959
Trakcja S.A.	Pekao S.A.	Overdraft	20 000	PLN	31.12.2022	WIBOR 1M + margin	19 423
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	21 500	PLN	31.12.2022	WIBOR 1M + margin	21 537
Trakcja S.A.	mBank S.A.	Investment credit	21 500	PLN	16.09.2021	WIBOR 1M + margin	3 793
Trakcja S.A.	mBank S.A.	Working capital credit	50 000	PLN	31.12.2022	WIBOR 1M + margin	40 743
Trakcja S.A.	mBANK S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	Working capital credit	92 600	PLN	31.12.2022	WIBOR 1M + margin	92 760
Trakcja S.A.	De Lage Landen Leasing Polska S.A.	Investment loan	1 147	PLN	25.04.2020	variable interest	-
AB Kauno Tiltai	Luminor Bank AB	Working capital credit	4 000	EUR	31.05.2023	WIBOR 3M+margin	11 390
AB Kauno Tiltai	Luminor Bank AB	Overdraft	12 000	EUR	30.06.2021	EURIBOR 1M + magin	-
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	Idea Getin Leasing	loan from related entities	244	PLN	15.06.2024	WIBOR 1M + margin	181
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	Overdraft	3 000	PLN	31.12.2022	WIBOR 1M + margin	-
PDM S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	2 500	PLN	31.12.2022	WIBOR 1M + margin	2 500
Dalba Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	1 000	PLN	31.12.2022	WIBOR 1M + margin	1 000
Dalba Sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from related entities	814	PLN	31.05.2023	interest-free	814
Bahn Technik Wrocław Sp. z o.o.	Plasser & Theurer, Export von Bahnbaumaschinen, Gessellschaft m.b.H.	Investment loan	1 800	EUR	31.12.2020	fixed interest rate	246
Bahn Technik Wrocław Sp. z o.o.	mLeasing	loan from related entities	16 397	PLN	15.03.2025	WIBOR 1M + margin	12 871
Bahn Technik Wrocław Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	2 000	PLN	31.12.2022	WIBOR 1M + margin	2 000
Bahn Technik Wrocław Sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from related entities	1 412	PLN	31.05.2023	interest-free	1 412
Torprojekt Sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from related entities	1 180	PLN	13.05.2023	interest-free	1 051
PRK 7 Nieruchomości Sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A.	Working capital credit	4 000	PLN	31.12.2022	WIBOR 1M + margin	4 000
						Total	**276 570**

The interest rate of loans and borrowings received depends on WIBOR / EURIBOR and bank margin. Bank margins depend on the lending period and the customer's creditworthiness.

As at the balance sheet date, the Company had unused lines of credits at its disposal (overdrafts and working capital credits) in the amount of PLN 84,700,000.00 (31.12.2019: PLN 83,400,000.00) which ensures funding continuity of ongoing operations for the Trakcja Group.

After the balance sheet date, that is, on 3 March 2021, the Company informed in current report 6/2021 that it received payment for the property situated at ul. Lotnicza 100, Wrocław of a total amount of PLN 53,000,000.00, of which PLN

(figures in PLN '000, unless stated otherwise)

50,150,000.00 was transferred by the buyer by wire transfer to the account of mBank S.A. with a view of repaying the whole of the Company's liabilities under a working capital facility (in the amount of PLN 50 million and interest), secured by a contractual joint mortgage established upon the Property which was the object of the sale, which in turn will allow the striking out of this mortgage. The remaining amount after the repayment of the working capital facility liability shall be transferred by the Bank to the Company's bank account.

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

Change in interest-bearing credits and loans in 2020:

As at 1.01.2020	**277 130**
Audited	
Loans received	22 676
Variations due to currency translation	(16 922)
Compensation with receivables from taking up bonds	(7 674)
Used	11 136
Reversed	(10 983)
Foreign exchanges	1 207
As at 31.12.2020	**276 570**
Audited	
including	
- long-term	220 133
- short-term	56 437

Unpaid loans or breach of the provisions of credit or loan agreements with regard to which no recovery measures were applied

As at 31 December 2020, the Group had no material unpaid credits or loans under the schedule. Furthermore, the Group has not breached the material provisions of credit or loan agreements with regard to which no recovery measures were applied until the end of the reporting period.

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

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

41. Bonds

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

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

- allocating all 4,514,405 Series G unsecured registered bonds convertible into Series D shares of the Company with the nominal value of PLN 1.70 each, with the total nominal value of PLN 7,674,488.50 and the issue price equal to the nominal value ("Series G Bonds") to COMSA S.A.U ("Comsa").

The Series F Bonds and the Series G Bonds were issued at the issue price equal to their nominal value. The Series F Bonds are secured by the securities specified in the Series F Bonds Issue Terms, including, in particular, by a first ranking contractual mortgage on the Company's real estate located in Bieńkowice, established for the benefit of the mortgage administrator. Further, the Company made a declaration on submitting to enforcement proceedings pursuant to Article 777 § 1(5) of the Civil Proceedings Code for the benefit of ARP in respect of the entirety of the Company's assets and for the benefit of the security administrator from the mortgaged real estate. The Series G Bonds are unsecured and are subordinated on a contractual basis pursuant to the Intercreditor Agreement.

The Bonds bear interest at WIBOR 1M plus an agreed margin. The Bonds mature on December 30, 2022. The Bonds may be redeemed early in cases stipulated in provisions of law and in circumstances standard for this type of bonds, as specified in the Series F Bonds Issue Terms and the Series G Bonds Issue Terms. The Bonds were issued in accordance with Article 33(2) of the Bonds Act. The issue of bonds constitutes another element of long-term financing, as notified by the Company in the long-term financing report.

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

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

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

Bond structure:

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

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

42. Other financial liabilities

In "Other financial liabilities" item, the Group presents the liability from the settlement of shares purchase in Trakcja Ukraina sp. z o.o.

(figures in PLN '000, unless stated otherwise)

43. Trade liabilities

	31.12.2020 Audited	31.12.2019 Audited
Trade liabilities, before discounting	320 615	326 548
Total, net trade liabilities after discounting	**320 615**	**326 548**
including:		
- liabilities from related entities	180	372
Amounts held	50 821	42 362
Budgetary liabilities	50 405	30 078
Payroll liabilities	11 641	6 460
Other liabilities towards third parties	3 083	3 225
Dividends and other distributions	93	93
Total trade and other liabilities	**436 658**	**408 766**

Liabilities to related parties are disclosed in Note 55.

Trade liabilities and retentions:

	31.12.2020 Audited	31.12.2019 Audited
Trade liabilities before discounting	371 436	368 910
With maturity within 12 months	350 208	348 404
With maturity over 12 months	21 228	20 506
Total, Trade liabilities after discounting	**371 436**	**368 910**

Liabilities maturing in more than 12 months include retentions. The maturity structure of total retentions is presented in the table below:

	31.12.2020 Audited	31.12.2019 Audited
Up to 12 months	35 402	28 145
Over 12 months	15 419	14 217
Total	**50 821**	**42 362**

The Group decided not to recognise the discount of long-term liabilities due to their immateriality.

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

Currency structure of trade and other liabilities:

	31.12.2020 Audited	31.12.2019 Audited
In PLN	319 575	313 783
In foreign currencies - after conversion into PLN, including:	117 083	94 983
in EUR	111 051	91 917
in USD	-	47
in SEK	4 120	2 890
in BGN	-	1
in UAH	1 912	128
Total	**436 658**	**408 766**

(figures in PLN '000, unless stated otherwise)

Terms and conditions of payment of liabilities:

Trade liabilities do not bear interest and are, as a rule, paid in 30-60 days. Liabilities maturing in more than 12 months comprise retentions related to the performance of construction and assembly contracts in order to ensure proper and timely performance of the contract. Other liabilities do not bear interest, and their average payment period is one month. The amount resulting from the difference between VAT payable and VAT receivable is paid to the relevant tax authorities within deadlines set out in tax regulations. Interest payable is usually settled based on accepted interest notes.

44. Finance lease liabilities

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

	31.12.2020 Audited	31.12.2019 Audited
Nominal value of minimum leasing fees		
from 0 to 90 days	5 732	6 545
from 90 to 360 days	27 047	15 533
Within 1 to 5 years	49 545	54 331
Over 5 years	43 964	35 261
Total financial lease liabilities - total minimum leasing fees	**126 288**	**111 670**
Financial costs on account of financial lease	**(35 575)**	**(27 153)**
Present value of minimum leasing fees		
from 0 to 90 days	4 860	5 673
from 90 to 360 days	24 834	13 170
Within 1 to 5 years	43 689	48 624
Over 5 years	17 330	17 050
Total present value of minumum leasing fees	**90 713**	**84 517**

Liabilities on account of perpetual usufruct of land were estimated on the basis of annual fees resulting from the most recent administrative decisions and the period of use of the land to which these rights pertain.

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

(figures in PLN '000, unless stated otherwise)

45. Accruals and deferred income

Accruals and prepayments as of December 31, 2020 and December 31, 2019 include mainly deferred income.

	31.12.2020 Audited	31.12.2019 Audited
Deferred income, including:	7 765	506
Prepayments and accruals received on account of future benefits	1 769	-
Deferred revenue	5 996	506
Total	**7 765**	**506**

Structure of accruals:

	31.12.2020 Audited	31.12.2019 Audited
Long-term	1 792	-
Short-term	5 973	506
Total	**7 765**	**506**

46. Information on financial instruments

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

- financial assets and liabilities measured at fair value through profit or loss – IRS contracts
- financial assets measured at amortised cost – cash and short-term deposits, trade and other receivables other than receivables from the State budget, short-term borrowings granted to entities outside the Group, bank guarantee deposits to secure guarantees granted to the Group by banks,
- financial liabilities measured at amortised cost – bank loans, lease and factoring liabilities, trade another liabilities other than liabilities to the State budget.

(figures in PLN '000, unless stated otherwise)

As at 31.12.2020	**Financial assets valued at amortised costs**	**Financial liabilities measured at amortised cost**
Disclosed in balance sheet, indicating balance sheet item		
recognised as non-current assets		
Other financial assets	6 425	-
Total	**6 425**	**-**
recognised as current assets		
Trade and other receivables (excluding budgetary)	418 449	-
Other financial assets	4 640	-
Cash and cash equivalents	136 178	-
Total	**559 267**	**-**
recognised as long-term liabilities		
Interest-bearing bank loans and borrowings	-	281 152
Other financial liabilities	-	28
Obligacje	-	27 832
Total	**-**	**309 012**
recognised as short-term liabilities		
Interest-bearing bank loans and borrowings	-	86 131
Trade and other liabilities (excluding budgetary)	-	386 253
Other financial liabilities	-	112
Bonds	-	194
Total	**-**	**472 690**
Total	**565 692**	**781 702**

(figures in PLN '000, unless stated otherwise)

As at 31.12.2019	Financial assets valued at amortised costs	Financial liabilities measured at amortised cost
including:		
Disclosed in balance sheet, indicating balance sheet item		
recognised as non-current assets		
Other financial assets	6 202	-
Total	**6 202**	**-**
recognised as current assets		
Trade and other receivables (excluding budgetary)	396 137	-
Other financial assets	12 699	-
Cash and cash equivalents	107 473	-
Total	**516 309**	**-**
recognised as long-term liabilities		
Interest-bearing bank loans and borrowings	-	207 857
Other financial liabilities	-	37
Derivatives	-	-
Total	**-**	**207 894**
recognised as short-term liabilities	**-**	
Interest-bearing bank loans and borrowings		153 790
Trade and other liabilities (excluding budgetary)	-	378 688
Other financial liabilities	-	123
Total	**-**	**532 601**
Total	**522 511**	**740 495**

(figures in PLN '000, unless stated otherwise)

47. Fair value of financial instruments

Comparison of fair value and carrying amount:

	As at 31.12 2020		As at 31.12 2019	
Classes of financial instruments	**Book value**	**Fair value**	**Book value**	**Fair value**
Loans granted	242	242	-	-
Bank guarantee deposits	9 031	9 031	14 173	14 173
Other bank deposits	1 792	1 792	4 728	4 728
Trade and other receivables (excluding budgetary receivables)	418 449	418 449	396 137	396 137
Cash and cash equivalents	136 178	136 178	107 473	107 473
Derivatives (liability)	-	-	8	8
Loans & credits taken and financial leasing liability	367 283	367 283	361 647	361 647
Bonds	28 026	28 026	-	-
Other liabilities	140	140	160	160
Trade and other liabilities (excluding budgetary liablities)	386 253	386 253	378 688	378 688

Methods and, when a valuation technique is used, assumptions adopted to determine fair values of individual categories of financial instruments.

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

Any borrowings granted and any loans and borrowings incurred are based on the variable market rates linked to WIBOR, and therefore their fair values are close to their carrying amounts.

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.

For a financial asset related to a concession arrangement which is recognised in the balance sheet at amortised cost using the effecting interest rate method, the effective interest rate of this asset is similar to the market rates as at the balance sheet date. Therefore, fair value of a financial asset related to a concession arrangement is close to its carrying amount.

The Group applies the following hierarchy when determining and disclosing fair value of the financial instruments measured at fair value, depending on the measurement method adopted:

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

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

Level 3- prices other than prices in active markets.

Financial instruments measured at fair value	Level 1		Level 2		Level 3	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Derivative financial instruments (liabilities)	-	-	-	8	-	-

Both in the reporting and corresponding periods, there were no transfers between Level 1 and Level 2 of the fair value hierarchy, and no instruments were transferred from Level 2 to Level 3 in the fair value hierarchy.

48. Risk identification

Risk management is mainly focused on the unpredictability of markets and aims to reduce the impact of volatility on the Group's financial results

Type of risk	Exposure	Risk measurement	Management/Hedging
Market risk- Exchange rate changes	a) economic currency exposure resulting from inflows decreased by expenses indexed to or denominated in a currency other than the functional currency; b) currency exposure resulting from investment or probable liabilities and receivables in foreign currencies; c) balance sheet exposure resulting from assets and liabilities denominated in foreign currency	a i b) Based on planned cash flows. c) Based on analysis of balance sheet items.	Market risk management policy and hedging strategies, which define principles of measurement of individual exposure, parameters and the time horizon of risk hedging and hedging instruments.
MARKET RISK- Interest Rate changes	Exposure resulting from assets held and liabilities for which interest income or expenses are based on floating interest rates.	Based on total gross debt to items for which interest expenses depend on floating interest rates.	Market risk management policy and hedging strategies, which define principles of measurement of individual exposure, parameters and the time horizon of risk hedging and hedging instruments.
Liquidity	Risk of unforeseen shortage of cash or lack of access to financing sources, both in the horizon of short and long-term borrowing, leading to temporary or permanent loss of ability to pay financial liabilities or imposing the need to obtain funds on unfavourable terms.	Based on planned cash flows in short and longterm horizon.	Liquidity risk management policy which defines rules of reporting and consolidation of liquidity. The Group pursues a policy of its financing sources diversification and uses a range of tools for effective liquidity management.
Loss of cash and deposits	Risk of bankruptcy of domestic or foreign banks in which accounts are kept or in which cash is invested.	Regular review of credit rating of banks and setting limits on concentration of funds. Management based on principles of surplus cash management, which determine possibility of granting quotas for individual banks made on the basis of, among others, ratings and	Regular review of credit rating of banks and setting limits on concentration of funds. Management based on principles of surplus cash management, which determine possibility of granting quotas for individual banks made on the basis of, among others, ratings and

(figures in PLN '000, unless stated otherwise)

		reporting data. Cooperation mainly with crediting banks.	reporting data. Cooperation mainly with crediting banks.
Credit	Risk of unsettled receivables for delivered products and services by customers related to the creditability of customers with whom trade transactions are concluded.	Analysis of creditability and solvency of customers.	Management based on procedures and policies adopted for management of trade credit and debt recovery including the determination of limits and establishment of collateral

Currency risk

The Group's activities are not significantly exposed to the fluctuations in foreign exchange rates. Foreign exchange rate fluctuations do not have a significant impact on the Group's financial statements due to the fact that the items disclosed in assets and liabilities denominated in currencies other than the functional currency of each of the subsidiaries are not significant in the context of the Group's financial statements. In accordance with IFRS 7,the sensitivity analysis does not cover any translation risk.

An analysis of impact of the PLN/EUR exchange rate volatility on the profit or loss and on cash as at 31 December 2020 and 31 December 2019 is presented below:

Change of PLN/EUR exchange rate in reference to average exchange rate for 2020		PLN / EUR exchange rate	Gross impact on the period result	Deffered tax	Net impact on the period result / Impact on equity
+	0,20 PLN/EUR	4.6442	(13)	(34)	20
+	0,10 PLN/EUR	4.5442	(7)	(17)	10
-	0,10 PLN/EUR	4.3442	7	17	(10)
-	0,20 PLN/EUR	4.2442	13	34	(20)

Change of PLN/EUR exchange rate in reference to average exchange rate for 2019		PLN / EUR exchange rate	Gross impact on the period result	Deffered tax	Net impact on the period result / Impact on equity
+	0,20 PLN/EUR	4.5018	(594)	(193)	(401)
+	0,10 PLN/EUR	4.4018	(297)	(97)	(201)
-	0,10 PLN/EUR	4.2018	297	97	201
-	0,20 PLN/EUR	4.1018	594	193	401

(figures in PLN '000, unless stated otherwise)

Change of PLN/EUR exchange rate in reference to exchange rate as at 31.December 2020		PLN / EUR exchange rate	Impact on cash assets
+	0,20 PLN/EUR	4.8148	4 299
+	0,10 PLN/EUR	4.7148	2 149
-	0,10 PLN/EUR	4.5148	(2 149)
-	0,20 PLN/EUR	4.4148	(4 299)

Change of PLN/EUR exchange rate in reference to exchange rate as at 31.December 2019		PLN / EUR exchange rate	Impact on cash assets
+	0,20 PLN/EUR	4.4585	1 126
+	0,10 PLN/EUR	4.3585	563
-	0,10 PLN/EUR	4.1585	(563)
-	0,20 PLN/EUR	4.0585	(1 126)

Interest rate risk

As at 31 December 2019, a risk exists related to the fluctuations in interest rates which may affect the interest rates of loans, borrowings and finance leases contracted by the Trakcja Group. The Group did not take any specific measures aimed at hedging against changes in the interest rates. Loans and borrowings contracted by the Group are described in detail in Note 40.

Based on the expectation that any potential changes in interest rates would be insignificant, the Group decided not to present the sensitivity analysis of an effect of the interest rate fluctuations on the IRS.

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

	Value at the balance-sheet date	Sensitivity to changes as at 31.12.2020	
		+ 100 pb (PLN, EUR)	- 100 pb (PLN, EUR)
Trade receivables (present value)	341 650		
Trade payables (present value)	320 615		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	145 209	1 452	(1 452)
Assets related to the concession agreement	-	-	-
Loans and credits, factoring liability, bonds (nominal value/interest)	367 283	(3 673)	3 673
Bonds issued	28 026	(280)	280
Gross impact on period result and net assets		**(2 501)**	**2 501**
Deferred tax		(475)	475
Total		**(2 026)**	**2 026**

(figures in PLN '000, unless stated otherwise)

	Value at the balance-sheet date	Sensitivity to changes as at 31.12.2019	
		+ 100 pb (PLN, EUR)	- 100 pb (PLN, EUR)
Trade receivables (present value)	324 865		
Trade payables (present value)	326 548		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	121 646	1 216	(1 216)
Assets related to the concession agreement	-	-	-
Loans and credits (nominal value/interest)	361 647	(3 616)	3 616
Derivatives	8	-	-
Gross impact on period result and net assets		**(2 400)**	**2 400**
Deferred tax		(456)	456
Total		**(1 944)**	**1 944**

Liquidity risk

Similarly to the majority of entities operating in the construction industry, the Group's sales are also characterised by seasonality which consists in the generation of a significant part of the revenues from sales in the second half of a calendar year and in the generation of significantly lower revenues in the first quarter, which is of significant importance for the management of the Group's liquidity and working capital needs. The Group's liquidity is also affected by the fact that its key customers obtain financial funds for purchases of the Group's services through the subsidies granted by the Republic of Poland and the EU. Legal regulations governing such subsidies do not allow for the funds granted to be used for paying the VAT. It cannot be excluded that the VAT receivables may be paid late by customers, which would not release the Group from the obligation to pay the VAT within the time limits set in the VAT Act.

Irregular proceeds from customers may have an adverse impact on the liquidity of the Parent Company and Group. Any unexpected fluctuations in the liquidity and any unexpected increase in working capital needs may have a significant adverse impact on the Group's financial position.

In addition, a liquidity gap was identified. For details, see Note 11 to these financial statements.

In order to minimize liquidity risk, the Group uses external sources of financing in the form of loans (working capital facilities, overdraft facilities and investment loans). For details on liabilities on account of loans and borrowings as at 31 December 2020, see Note 40. In addition, the Group invests any surplus cash in interestbearing current accounts, term deposits, money market deposits, selecting instruments with appropriate maturity or sufficient liquidity in order to ensure a sufficient level of security.

The analysis of the Group's financial liabilities in net amounts by maturity in relation to the period remaining to their contractual maturity as at the balance sheet date is provided in the table below

As at 31.12.2020

Audited	0-90 days	90-360 days	1-5 years	Over 5 years
Interest-bearing loans and borrowings	3 628	52 809	220 133	-
Financial lease liabilities	4 860	24 834	43 688	17 331
Trade and other liabilities and amounts held	269 402	80 806	21 228	-

As at 31.12.2019

Audited	0-90 days	90-360 days	1-5 years	Over 5 years
Interest-bearing loans and borrowings	99 391	35 556	142 183	-
Financial lease liabilities	5 673	13 170	48 690	16 984
Derivative financial instruments	-	-	8	-
Trade and other liabilities (except budget liabilities)	307 525	50 657	20 506	-

(figures in PLN '000, unless stated otherwise)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Transactions that expose the Group to credit risk include trade receivables. The Management Board applies a credit policy which requires continuous monitoring of the Group's credit risk exposure. The Group performs interim analyses of the recovery ratios on a quarterly basis and full-scale analyses of those ratios after the end of the year. The Parent Company's Management Board analyses the calculation of ratios and detailed information on disputed and unpaid amounts of individual receivables balances on a quarterly basis.

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

The Group has adopted a policy of entering into transactions with counterparties with high creditworthiness and verified credit capacity. Credit capacity is assessed on a regular basis. If the future credit capacity of a counterparty is assessed negatively, the Group companies apply adequate collateral to minimize credit risk. Financial services monitor the balance of receivables on an ongoing basis, thereby reducing the risk of uncollectibility. The carrying amount of financial assets disclosed in the consolidated financial statements corresponds to the Trakcja Group's maximum exposure to credit risk (without collateral). As at the balance sheet date, receivables from PKP PLK S.A. account for 27% of the total receivables of Trakcja Group (26% as at 31 December 2019), therefore there is a significant concentration of credit risk.

For disclosures regarding overdue trade receivables and impairment losses on receivables and expected credit losses, see Note 31. The Group cooperates with highly-rated financial institutions. The use of credit limits is controlled on a regular basis. Available cash is invested in several banks in order to avoid concentration of risk related to liquid funds.

The maximum exposure to credit risk is equal to the carrying amount of the following financial instruments:

The maximum exposure to credit risk	Book value	
	31.12.2020 Audited	**31.12.2019 Audited**
Trade and other receivables, excluding budget receivables	516 161	472 732
Bank guarantees deposits	9 031	14 173
Cash and cash equivalents	136 178	107 473
Total	**661 370**	**594 378**

Objectives and policies of financial risk management

The Group manages its financial risk through the identification, monitoring and reporting of risk factors, which is to reduce the adverse impact of the currency risk factors on the Group's cash flows and performance.

(figures in PLN '000, unless stated otherwise)

49. Balance sheet items measured at fair value

The table below presents all the balance sheet items measured at fair value and a fair value hierarchy level assigned to them:

Items recognized in fair value	Level 1		Level 2		Level 3	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Derivatives (liability side)	-	-	-	8	-	-
Investment property	-	-	-	-	26 587	22 447
Office properties	-	-	-	-	22 331	17 875
Land properties	-	-	-	-	2 049	1 974
Deposits of natural aggregates	-	-	-	-	2 207	2 598

Assumptions used in determining fair values:

- of individual categories of investment instruments are described in Note 47 of the Notes,

- of investment properties are described in Note 24 of the Notes.

50. Contingent receivables and liabilities

The Group has contingent receivables and liabilities relating to legal claims arising in the ordinary course of business. The table below presents the Group's contingent receivables and liabilities as at the balance sheet date of 31 December 2020 and 31 December 2019.

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

As at December 31, 2020, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 706 thousand (as compared to PLN 1 039 thousand) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Group, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues. Contingent liabilities arising from employment contracts with employees were PLN 7,486 thousand as at December 31, 2020 (31.12.2019: PLN 2,787 thousand).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland 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 a given 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 the end of 2019 are sufficient to mitigate the recognised and measurable tax risk.

51. Significant court cases and disputes

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

Proceedings concerning the Parent Company:

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

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

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

Case against Leonhard Weiss International GmbH

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

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

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

1) on PLN 7,500,000.00 from 17 November 2017 to the payment date
2) on PLN 12,756,000.00 from 8 December 2017 to the payment date
3) on PLN 295,495.00 from 8 December 2017 to the payment date.

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

Case against ELTRANS sp. z o.o.

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

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

The 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 the State Treasury – GDDKiA

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

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

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

Proceedings against PKP PLK S.A.

On 31 October 2017, the 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". 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 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. 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. 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 Mosina, due to circumstances within the scope of responsibility of PKP PLK S.A., The case is at the early stage of proceedings and its resolution date is difficult to predict.
On 13 June 2019, the 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.

Continued negotiations on claims

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

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

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

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

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

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

Proceedings concerning subsidiaries:

AB Kauno Tiltai

In 2015 the investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which a subsidiary, AB Kauno Tiltai, is a member, for a total amount of PLN 69,173,803 (EUR 14,989,556). Pursuant to a decision of the court, this amount was reduced to PLN 4,808,058 (EUR 1,041,878). The share of Trakcja Group in liabilities (if any) that may arise from these proceedings is 65%. The Group refrained from making any other disclosures related to this court case by invoking clause 92 of IAS 37. According to the Management Board of The Parent Entity those disclosures may reveal information to parties of court proceedings, which can be used in the ongoing proceedings against the interests of the subsidiary AB Kauno Tiltai.

52. Dividends paid and declared

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

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

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

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

53. Information on granted guarantees and sureties as well as security on the property

Pursuant to long-term financing agreements concluded by Trakcja S.A. and Group companies (Bahn Technik Wrocław sp. z o.o., Torprojekt sp. z o.o., Przedsiębiorstwo Produkcyjno-Usługowe "DALBA" sp. z o.o., Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o., PRK 7 Nieruchomości sp. z o.o., PDM S.A.), the following security interests have been established on the assets of the Company and of selected subsidiaries on 27 September 2019 (as reported by the in current report no. 51/2019):

- Mortgages on real properties, including properties situated in: Warsaw, Wrocław, Bieńkowice, Skierdy, Sobolewo, Białystok, Bobrowniki and Marki;
- Registered pledge on machines, established by Bahn Technik Wrocław sp. z o.o.;
- Registered pledge on a set of tangible assets and rights;
- Transfer for securing rights under trade agreements, insurance and intra-group loans;
- Pledge on shares/stock held by the Company In subsidiaries: Bahn Technik Wrocław sp. z o.o. (100% of shares); PRK 7 Nieruchomości sp. z o.o. (100% of shares); PDM S.A. (94,62% of stock); Torprojekt sp. z o.o. (82,35% of shares); Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o. (99,70% of shares); Przedsiębiorstwo Produkcyjno-Usługowe "DALBA" sp. z o.o. (100% of shares); AB Kauno Tiltai (30% of shares);
- Registered pledge on inventory;
- Pledge on bank accounts;
- Voluntary subjection to enforcement by Trakcja and selected subsidiaries.

As at 31 December 2020, the total value of the assets of Trakcja and subsidiaries covered by the above agreement and other financing agreements concluded by subsidiaries, subjected to security interests, amounted to PLN 686,080,000.00 (balance sheet value), including:

- Tangible fixed assets in the amount of PLN 190,622,000.00,
- Intangible fixed assets in the amount of PLN 2,523,000.00,
- Invest Real properties in the amount of PLN 26,587,000.00,
- Other financial assets in the amount of PLN 14,722,000.00,
- Inventory in the amount of PLN 94,798,000.00,
- trade receivables and other receivables in the amount of PLN 79,300,000.00,
- Cash and their equivalents in the amount of PLN 120,079,000.00,
- Fixed assets classified for sale in the amount of 5,037,000.000.

(figures in PLN '000, unless stated otherwise)

54. Income, expenses and profit (loss) from discontinued operations

As at 31 December 2020 and 31 December 2019, the Group did not discontinue any operations.

55. Related party disclosures

In 2020, the Group companies did not enter into any material transactions with related parties on non-arm's length terms. Transactions made by the Parent Company and its subsidiaries (related entities) are the arm's length transactions and their nature is a result of the current operations conducted by the Parent Company and its subsidiaries.

Transactions between the Company and its subsidiaries being the Company's related entities are eliminated during consolidation and are not included in this Note. Information about transactions between the Group and other related parties are detailed below.

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

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Other financial revenue	Other financial costs
Shareholders of parent entity							
COMSA S.A.	1.01.20-31.12.20	214	-	-	535	-	12
	1.01.19-31.12.19	2	862	-	362	-	82
Agencja Rozwoju Przemysłu	1.01.20-31.12.20	-	-	-	1 847	-	32
	1.01.19-31.12.19	-	-	-	319	-	286
Total	**1.01.20-31.12.20**	**214**	**-**	**-**	**2 382**	**-**	**44**
	1.01.19-31.12.19	**2**	**862**	**-**	**681**	**-**	**368**

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

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Liability due to bonds	Borrowings received
Shareholders of parent company:					
COMSA S.A.	31.12.2020	95	88	7 930	241
	31.12.2019	-	188	-	7 656
Agencja Rozwoju Przemysłu	31.12.2020	-	92	20 096	27 651
	31.12.2019	-	184	-	27 668
Total	**31.12.2020**	**95**	**180**	**28 026**	**27 892**
	31.12.2019	**-**	**372**	**-**	**35 324**

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

(figures in PLN '000, unless stated otherwise)

56. Information on benefits for key personnel

The Management Board of the Parent Company is the key management personnel of the Group. Remuneration for the Parent Company's Management Board is presented below.

Salary of Management Board	Year ended 31.12.2020 Audited		31.12.2019 Audited	
	In Parent company	In subsidiaries	In Parent company	In subsidiaries
Salaries and other current employee benefits	4 280	689	3 673	741
post-employment benefits	-	-	996	-
Benefits due to termination of employment	-	-	1 273	-
Total	**4 280**	**689**	**5 942**	**741**

For details of agreements concluded with managing persons, see section 5.9 and for additional information on remuneration of members of the Management Board and Supervisory Board, see section 5.8 of the Directors' Report on the operations of Trakcja Group and Trakcja S.A. in the financial year ended 31 December 2020.

The Management Board members of Trakcja were not shareholders, controlling shareholders, jointlycontrolling shareholders, or shareholder exerting a significant impact on the entities other than members of Trakcja Group.

In 2020 and 2019, the Parent Company and the Group's management staff did not enter into any significant transactions. In 2020, no borrowings were granted to the Management Board members or Supervisory Board members of Trakcja. As of December 31, 2020, Trakcja and the companies of Trakcja Group had no liabilities resulting from pensions and benefits of similar nature for former member of management and supervisory bodies.

Remuneration of the Parent Company's Supervisory Board:

Salary of Supervisory Board	Year ended 31.12.2020 Audited		31.12.2019 Audited	
	In Parent company	In subsidiaries	In Parent company	In subsidiaries
Salaries and other current employee benefits	1 104	534	1 032	538
Total	**1 104**	**534**	**1 032**	**538**

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

Significant events in the financial year are described in detail in Section 2.4 of the Directors' Report on the operations of the Group in 2020. After the balance sheet date and until the date of preparation of these consolidated financial statements, i.e. until 15 April 2021, no events occurred which have not but should have been disclosed in the accounting books for the financial year.

Events after the balance sheet date

(figures in PLN '000, unless stated otherwise)

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

(figures in PLN '000, unless stated otherwise)

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

(figures in PLN '000, unless stated otherwise)

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

(figures in PLN '000, unless stated otherwise)

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

(figures in PLN '000, unless stated otherwise)

Events after the balance sheet date

Significant construction contracts	CR
Management Board of Trakcja S.A. ("Company", "Issuer") informs that today the Company and the Skarżysko-Kamienna Poviat, on behalf and for the benefit of which the County Roads Management Board in Skarżysko-Kamienna acts, mutually signed a contract for the execution of construction works necessary to implement the project entitled Extension of the transportation system along with construction of a an overpass over the railway tracks in Skarżysko-Kamienna as part of the project: »The construction of an integrated transportation system, including the reconstruction of the existing transportation system and the construction of a road structure to cross the Warsaw-Cracow railway line No. 8 and connect the Dolna Kamienna Housing Estate with the Przydworcowe Housing Estate in Skarżysko-Kamienna« ("Work"). The Work will include construction of an overpass over the railway tracks and extension of the transportation system to the extent specified in the contract.The net value of the contract is PLN 28,281,151.47. The Work is to be completed by 31.12.2022. Other terms of the contract do not differ from those commonly used for this type of contracts.	4/2021
Management Board of Trakcja S.A. ("Company", "Issuer") announces that today it has become aware of the fact that on 16 February 2021 a contract was signed between the Issuer's subsidiary, Kauno Tiltai Sverige AB (with its registered office in Sweden), and the Skellefteå City Council ("Employer") for the execution of the following construction works: "New wooden bridge over the Skellefteälven River" ("Contract").The subject of the Agreement is the construction of a new bridge for pedestrian, bicycle and vehicular traffic. The contract covers all the work, including delivery and installation in accordance with the tender documentation.Total net value of the Contract amounts to SEK 202,847,706 (PLN 90,733,778.89 - according to the exchange rate as of the day of signing the contract). The work being the subject of the Contract is to be completed by 31.08.2023.	5/2021

Other	CR
The Management Board of Trakcja PRKiI S.A. ("Company") hereby informs that today the Company received a notification pursuant to Article 19.1 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (MAR), presented by Comsa S.A.U. based in Barcelona as a person closely related with Fernando Perea Samarra, Miquel Llevat Vallespinosa and Jorge Miarnau Montserrat - members of the Company's Supervisory Board.	1/2021
The Management Board of Trakcja S.A. ("Company") hereby announces dates of publication of periodic reports in 2021:	2/2021
The Management Board of Trakcja S.A. ("Company") hereby informs that on 22 January 2021 the Company completed the process of cyclical reviews of long-term contracts and collection of financial data for the purpose of preparation of the Company's individual financial statements for the 12 months ended on 31 December 2020. Therefore, the Company announces the initial estimate 2020 results: Sales revenues: PLN 652,753 thousand,Gross result on sales: PLN -18,614 thousand,EBITDA: PLN -32,089 thousand,Net profit/loss: PLN -64,928 thousand	3/2021
Management Board of Trakcja S.A. (the "Company") hereby informs that the sales price for the Property has been paid today, which has taken place in the following manner a part of the price in the amount of PLN 2,250,000.00 (two million two hundred fifty thousand) was received by the Company,a part of the price in the amount of PLN 50,150,000.00 (fifty million one hundred fifty thousand) was transferred by the buyer, that is, Lotnicza 100 spółka z o.o. (the "Buyer") by wire transfer to the account of mBank S.A. (the "Bank") with a view of repaying the whole of the Company's debt obligations under a working capital credit (in the amount of PLN 50 million and interest), secured by a contractual joint mortgage	6/2021

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

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

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

- Transport being limited and delivery of components and raw materials being irregular,
- Availability and efficiency of subcontractors being reduced,
- The progress in works experiencing a slowdown due to the introduction of emergency measures in accordance with the guidelines issued by the Ministry of Health and the Chief Sanitary Inspector, and due to the increased absence of employees,
- Costs of certain services, in particular, transport of materials and raw materials, being increased, The completion by the Group of contracts, under which the Group companies act as contractors or subcontractors, may be delayed and as a consequence translate into a risk that the contracting parties may file claims for contractual penalties to be paid by the Group companies for untimely completion of contracts. The aforementioned factor may also result in an extraordinary increase in prices for materials and services being experienced, which in turn shall result in the profitability of contracts being reduced. Furthermore, the COVID-19 pandemic may contribute to a decrease in the number of infrastructural investment projects being scheduled for the following years.

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

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

Measures taken by the Company's Management Board

The state of pandemic that was introduced, government restrictions in force since March 20, 2020 and concerns about how the situation would develop and its impact on the operation of the Group forced the companies of Trakcja Group to implement changes in their work organization. Taking into account the health and safety of employees as well as in order to maintain the continuity of the Group's operations, the Management Board established an operating procedure regarding SARS CoV-2-related risks. On April 6, 2020 the Management Board and trade unions concluded an agreement under which the working hours of employees were reduced by 10%, and as a result the salaries paid according to a monthly wage rate were decreased accordingly. The aforementioned reduction in the working hours applies mainly to white-collar employees and at the same time allows for the contract performance potential to be maintained.

The aforementioned 10%-decrease applies also to remuneration of the management board members, supervisory board members, and also self-employed and service providers who collaborate with the Company.

In addition, it has been decided that payment of any bonuses, awards, allowances and severance pays is suspended and that overtime and use of company cars are to be reduced. The contribution to the company social benefits fund is also to be reduced by 25%

The agreement was in force on a temporary basis till June 30, 2020.

On 21 September 2020, the Company's Management Board, upon consulting the trade unions operating within the Company, adopted new Wage Rules of Trakcja S.A. The new Wage Rules have provided for the modification of, inter alia, the system of long-service awards and retirement benefits, payment of allowances to employees, monthly bonuses for blue-collar employees and bonuses for white-collar employees. Furthermore, the adopted Wage Rules have linked the awarding of bonuses to white-collar employees with the Company's productivity.

Additionally, following GIS [Main Sanitary Inspector's] recommendations, the Group has: adjusted working space, introduced the option of remote work, ensured disinfectants and direct protection for employees.

As the pandemic situation has been becoming more and more difficult, an orange alert has been introduced at the Company by decision of the President of the Management Board dated 5 November 2020. The restrictions provided under the alert concern: restrictions in office work, limited to one person on duty in a department; procedure in the case of persons who advised the Company on the quarantine or isolation of a household member, reporting of each instance of employee illness, and directing him/her to quarantine or isolation. Additional restrictions have been introduced as regards field offices with a view of avoiding the elimination of contract staff. Furthermore, a Crisis Management Team has been appointed within the Company and preventive action instructions have been introduced with a view of preventing the spread of COVID-19 within Trakcja. The Company has financed the purchase of tests for the whole Group, as a well as a contract for office disinfection.

Furthermore, the SARS CoV-2 pandemic in 2020 has had an indirect impact on the Group's operations, by, inter alia:

- extension of acceptance procedures, which caused a time-shift of sales and of the resulting financial cash flows;
- temporary disruptions in the delivery of selected goods and restricted availability of sub-contractors, in particular to those employing foreign workers;
- deterioration of commercial terms, in particular payment deadlines, required down-payments and to a limited degree, prices.

During the reporting period, the Group attempted to mitigate the occurring disruptions by using other available sub-contractors and by employing its own efforts. The Group is searching for alternate supply sources and has undertaken commercial negotiations with a view of obtaining satisfactory terms.

In 2020, the Group received PLN 3,400,000.00 as public aid in the form of financial subsidies granted by Polski Fundusz Rozwoju [PFR] S.A. (Polish Development Fund Joint Stock Company) within the framework of "Tarcza finansowa PFR" ["PFR Financial Shield"].

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

(figures in PLN '000, unless stated otherwise)

The Covid-19 pandemic may, in the future, have an impact on the valuation of the Group's assets, including on the value impairment tests. The possible effects of the pandemic's impact on test results have been presented in Note 25 hereto.

Should there be any material impact of the pandemic on the Group's and Company's financial and economic position, the Trakcja Management Board shall advise the stakeholders by the relevant current report.

58. Financial statements in high inflation periods

The accumulated average annual inflation rate for the last three years for each of the periods covered by these consolidated financial statements did not exceed 100%, and therefore the financial statements did not have to be restated using the consumer price index

59. Employment

Average headcount at the Group was as follows:

	Year ended	
	31.12.2020 Audited	31.12.2019 Audited
Average employment in the Capital Group during the period:		
Management Board of Parent entity	6	5
Management Boards of subsidiaries	17	20
Administration	290	255
Sales department	32	32
Production division	1 213	1 254
Machine Operators	223	599
Technical staff	156	136
Other employees	408	46
Total	**2 345**	**2 347**

As at 31 December 2020, headcount at the Group was as follows:

	31.12.2020 Audited	31.12.2019 Audited
Employment in the Capital Group at the balance sheet date		
Management Board of Parent entity	6	6
Management Boards of subsidiaries	16	18
Administration	271	261
Sales department	109	29
Production division	1 056	1 251
Machine Operators	225	532
Technical staff	206	134
Other employees	364	45
Total	**2 253**	**2 276**

(figures in PLN '000, unless stated otherwise)

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

In accordance with the Act on the Company Social Benefits Fund of March 4, 1994, as amended, the company social benefits fund is established by employers that employ more than 20 employees in the equivalent of fulltime job positions. The Group established the fund and has been making regular contributions to this fund in the basic.

amount. The objective of the fund is to subsidise the Group's social activities, loans granted to its employees and other social costs. The Group set off the fund's assets with its liabilities towards the fund, because such assets are not separate assets of the Group.

The table below present the analysis of assets, liabilities, costs and net balance of the offset assets and liabilities of the fund:

	31.12.2020 Audited	31.12.2019 Audited
Loans granted to employees	180	458
Cash	1 778	1 678
Prepayments	13	22
Liabilities attributable to the Fund	(2 284)	(1 177)
Balance after compensation	**(313)**	**981**
Contributions to the fund during the financial period	**1 663**	**1 789**

61. Information on the statutory auditor

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

On August 21, 2019 the Company and BDO spółka z ograniczoną odpowiedzialnością sp. k. entered into an agreement for:

- the examination of the separate and consolidated half-yearly financial statements as at June 30, 2019 in accordance with the International Accounting Standards,
- the audit of the separate and consolidated annual financial statements as at December 31, 2019 in accordance with the International Accounting Standards,
- the examination of the separate and consolidated half-yearly financial statements as at June 30, 2020 in accordance with the International Accounting Standards,
- the audit of the separate and consolidated annual financial statements as at December 31, 2020 in accordance with the International Accounting Standards.

The agreement is concluded for the period of completion of its subject.

Remuneration for the audit of selected companies within Trakcja Group is paid under separate agreements concluded between the entity authorised to audit financial statements and each of the selected Group members.

Remuneration of the statutory auditor for the services rendered for the Company is presented in the table below.

(figures in PLN '000, unless stated otherwise)

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

Warsaw, 15 April 2021

Marcin Lewandowski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Arkadiusz Arciszewski

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Robert Sobków

Member of the Management Board

Adam Stolarz

Member of the Management Board

Person responsible for preparing the report

Katarzyna Kocerka

Financial Reporting Director

Trakcja Group