TRAKCJA GROUP

RAILWAY
ROADS
CIVIL

CONSOLIDATED ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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 2021 to 31 December 2021.

The consolidated annual financial statements for the period from 1 January 2021 to 31 December 2021 were prepared in accordance with the International Financial Reporting Standards ("IFRSs") approved by the European Union, published and applicable as at 31 December 2021. Information included herein is presented in the following sequence:

1. Consolidated income statement for the period from 1 January 2021 to 31 December 2021 showing a net loss of PLN **11,583** thousand.
2. Consolidated statement of comprehensive income for the period from 1 January 2021 to 31 December 2021, showing negative total comprehensive income of PLN **16,028** thousand.
3. Consolidated balance sheet as at 31 December 2021, showing the total assets and total equity and liabilities of PLN **1,378,562** thousand.
4. Consolidated statement of cash flows for the period from 1 January 2021 to 31 December 2021, showing a decrease in net cash flows by PLN **8,960** thousand.
5. Consolidated statement of changes in equity for the period from 1 January 2021 to 31 December 2021, showing a decrease in consolidated equity by PLN **17,016** 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.

Jakub Lechowicz
President of the Management Board

Paweł Nogalski
Vice-President of the Management Board

Arkadiusz Arciszewski
Vice-President of the Management Board

Piotr Mechecki
Vice-President of the Management Board

Jacek Gdański
Vice-President of the Management Board

Warsaw, April 27, 2022

TABLE OF CONTENTS

CONSOLIDATED INCOME STATEMENT 5
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 6
CONSOLIDATED BALANCE SHEET 7
CONSOLIDATED STATEMENT OF CASH FLOWS 8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 9
ADDITIONAL INFORMATION AND EXPLANATIONS 11
1. General information 11
1.1 Background information on the Group 11
1.2 Group structure 13
1.3 Description of the changes in the structure of the Group and an indication of their effects 17
1.4 Parent Company's Management Board 17
1.5 Parent Company's Supervisory Board 18
1.6 Basis for preparation of the consolidated annual financial statements 19
1.7 Standards and amendments to standards issued by the IASB 20
1.8 Risk to the Parent Company's ability to continue as a going concern and measures taken and planned by the Management Board 25
1.9 Selected financial data 36
1.10 Information concerning segments 37
2. Notes to the income statement 45
2.1 Sales revenue 45
2.2 Operating expenses 51
2.3 Other operating revenues 53
2.4 Other operating costs 54
2.5 Financial revenues 54
2.6 Financial costs 55
2.7 Income tax 55
2.8 Discontinued operations 60
2.9 Earnings (loss) per share 60
3. Notes to the balance sheet 61
3.1 Tangible fixed assets 61
3.2 Intangible assets 65
3.3 Goodwill 68
3.4 Investment properties 72
3.5 Jointly controlled activity – contracts under consortium agreements 76
3.6 Other financial assets 76
3.7 Prepayments and accruals 77
3.8 Inventories 78
3.9 Trade and other receivables 80
3.10 Cash and cash equivalents 83
3.11 Settlements under contracts with customers 84
3.12 Assets and liabilities held for sale 87
3.13 Equity 88
3.14 Dividends paid and declared 94
3.15 Interest-bearing loans and borrowings 94
3.16 Bonds 100
3.17 Provisions 101
3.18 Employee benefit liabilities 104
3.19 Capital risk management 106
3.20 Trade and other liabilities 107
3.21 Lease liabilities 108
3.22 Information on financial instruments 109
3.23 Balance sheet items measured at fair value 118
4. Notes to the statement of cash flows 118
4.1 Differences between balance sheet and statement of cash flows items 118
4.2 Cash and cash equivalents disclosed in the statement of cash flows 120

5. Other information 121
5.1 Contingent receivables and liabilities 121
5.2 Information on guarantees and sureties granted and assets pledged as collateral 121
5.3 Significant disputes and court cases 122
5.4 Information on related parties 129
5.5 Information on benefits for key personnel 131
5.6 Significant events during the financial year and after the balance sheet date 132
5.7 Financial statements in high inflation periods 139
5.8 Headcount 139
5.9 Assets and liabilities of the company's social benefits fund (ZFŚS) 139
5.10 Information on the statutory auditor 140

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Modified*
Continued operations			
Sales revenue	2.1	1 424 841	1 338 982
Cost of goods sold	2.2	(1 367 203)	(1 331 720)
Gross profit (loss) on sales		**57 638**	**7 262**
Cost of sales, marketing and distribution	2.2	(6 434)	(6 133)
General and administrative costs	2.2	(60 198)	(56 658)
Other operating revenues	2.3	38 130	11 109
Other operating costs	2.4	(6 982)	(7 008)
Goodwill impairment	3.3	-	(38 735)
Operating profit (loss)		**22 154**	**(90 163)**
Financial revenues	2.5	4 169	623
Financial costs	2.6	(27 948)	(30 318)
Gross profit (loss)		**(1 625)**	**(119 858)**
Income tax	2.7	(9 958)	9 872
Net profit from continued operation		**(11 583)**	**(109 986)**
Net profit for the period		**(11 583)**	**(109 986)**
Attributable to:			
Shareholders of Parent entity		(11 421)	(109 785)
Non-controlling interest		(162)	(201)
Profit per share attributable to shareholders in the period (PLN per share)			
Basic	2.9	(0,13)	(1,27)
Diluted	2.9	(0,10)	(1,12)

**The restatement relates to the reclassification of costs between sales, marketing and distribution costs as well as general management and administrative costs on one hand and the cost of goods sold on the other hand in the period from January 1, 2020 to June 30, 2020 (more information in note 1.7 hereof)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Net profit for the period		**(11 583)**	**(109 986)**
Other comprehensive income:			
Other net comprehensive income that will not be reclassified into profit or loss under certain conditions:		**1 810**	**134**
Profit from revaluation referred into revaluation reserve		1 698	-
Actuarial gains/(losses)	3.18	112	134
Other net comprehensive income that will be reclassified to profit or loss:		**(6 255)**	**22 887**
Foreign exchange differences on translation of foreign operations		(6 255)	22 887
Total other comprehensive income		**(4 445)**	**23 021**
Total comprehensive income for the period		**(16 028)**	**(86 965)**
Attributable to:			
Shareholders of Parent entity		(15 954)	(87 153)
Non-controlling interest		(74)	188

CONSOLIDATED BALANCE SHEET

	Note	31.12.2021 Audited	31.12.2020 Modified*	01.01.2020 Modified*
ASSETS				
Non-current assets		**560 778**	**581 319**	**596 366**
Tangible non-current assets	3.1	265 929	285 257	286 228
Intangible assets	3.2	4 027	3 529	2 657
Goodwill from consolidation	3.3	181 589	187 269	217 715
Investment properties	3.4	34 905	26 587	22 447
Other financial assets	3.6	8 466	6 452	6 227
Deferred tax assets	2.7	57 889	63 607	54 755
Long-term receivables		32	104	158
Prepayments	3.7	7 941	8 514	6 179
Current assets		**817 784**	**896 437**	**887 954**
Inventory	3.8	107 272	113 145	135 390
Trade and other receivables	3.9	331 396	420 101	399 749
Income tax receivables		1 660	968	-
Other financial assets	3.6	36 663	4 640	12 699
Cash and cash equivalents	3.10	126 946	136 178	107 473
Prepayments	3.7	15 153	13 095	16 574
Contracts with customers assets	2.1	197 434	203 273	211 032
Assets held for sale	3.12	1 260	5 037	5 037
TOTAL ASSETS		**1 378 562**	**1 477 756**	**1 484 320**
EQUITY AND LIABILITIES				
Equity attributable to shareholders of Parent entity	3.13	**315 490**	**331 594**	**420 243**
Share capital		69 161	69 161	69 161
Share premium		199 160	269 641	340 561
Revaluation reserve		5 580	7 082	7 082
Other capital reserves		(911)	(1 020)	(1 152)
Retained earnings		13 568	(48 451)	(8 090)
Foreign exchange differences on translation of foreign operations		28 932	35 181	12 681
Non-controlling interest	3.13	**4 610**	**5 522**	**5 241**
Total equity		**320 100**	**337 116**	**425 484**
Long-term liabilities		**356 358**	**340 847**	**232 816**
Interest-bearing loans and borrowings	3.15	301 754	281 152	207 857
Bonds	3.16	28 451	27 832	-
Provisions	3.17	13 563	21 355	14 093
Liabilities due to employee benefits	3.18	3 643	3 690	4 094
Provision for deferred tax	2.7	8 882	4 998	6 727
Derivative financial instruments		-	-	8
Deferred revenue	3.7	50	1 792	-
Other financial liabilities	3.20	15	28	37
Short-term liabilities		**702 104**	**799 793**	**826 020**
Interest-bearing loans and borrowings	3.15	92 334	86 131	153 790
Bonds	3.16	196	194	-
Trade and other liabilities	3.20	370 080	436 658	408 766
Provisions	3.17	37 381	53 706	94 773
Liabilities due to employee benefits	3.18	17 165	16 468	13 574
Income tax liabilities		-	-	238
Other financial liabilities	3.20	-	112	123
Accruals	3.7	3 639	5 973	506
Contracts with customers liabilities	3.11	181 296	200 551	154 250
Liabilities of group to be classified as held for sale		13	-	-
Total equity and liabilities		**1 378 562**	**1 477 756**	**1 484 320**

**The restatement as at 31.12.2020 as well as at 01.12.2020 relates to the presentation changes of the fixed assets and equity in consolidated balance sheet of the Group (note 1.7 hereof).*

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Cash flows from operating activities			
Gross profit from continued operations		**(1 625)**	**(119 858)**
Adjustments for:		**(41 254)**	**157 032**
Depreciation		37 129	37 728
FX differences		(269)	3 097
Net interest and dividends		15 682	16 349
Profit on investment activities		(29 106)	36 829
Change in receivables	4.1	33 584	(13 879)
Change in inventory	4.1	7 216	30 753
Change in liabilities, excluding loans and borrowings	4.1	(64 133)	18 606
Change in prepayments and accruals	4.1	(316)	3 482
Change in provisions	4.1	(23 981)	(34 787)
Change in settlements from contracts	4.1	(14 004)	54 375
Income tax paid		(1 320)	(2 384)
Other		(1 499)	2 004
Foreign exchange differences on translation of foreign operations		(237)	4 859
Net cash flows from operating activities		**(42 879)**	**37 174**
Cash flows from investment activities			
Sale of intangible assets		-	938
Purchase of intangible assets		(1 600)	(3 187)
Sale of tangible non-current assets		81 197	2 998
Purchase of tangible non-current assets		(5 648)	(4 861)
Sale or returned financial assets		3 949	10 296
Purchase of financial assets		(38 004)	(4 125)
Interest received		457	213
Net cash flows from investment activities		**40 351**	**2 272**
Cash flows from financial activities			
Inflows due to bonds issuance		-	20 000
Proceeds on account of taken borrowings and loans		113 776	21 400
Repayment of borrowings and loans		(81 976)	(15 689)
Dividend paid to non-controlling interests		(597)	(4)
Interest paid		(14 344)	(14 983)
Payment of liabilities under financial lease agreements		(23 305)	(21 735)
Other		14	10
Net cash flows from financial activities		**(6 432)**	**(11 001)**
Total net cash flows		**(8 960)**	**28 445**
Cash at start of period		**135 906**	**107 461**
Cash at end of period	**4.2**	**126 946**	**135 906**
- with limited access		8 344	-

Cash with limited access in the amount of PLN 8,344 thousand comprises cash with limited access on bank accounts of the Parent Company (more information in note 3.10 hereof).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of Parent entity								
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals	Retained earnings	Foreign exchange differences on translation of foreign operations	Total	Non-controlling interest	Total equity
As at 1.01.2021	**69 161**	**-**	**7 082**	**329 955**	**(109 785)**	**35 181**	**331 594**	**5 522**	**337 116**
Net profit for the period	-	-	-	-	(11 421)	-	(11 421)	(162)	(11 583)
Other comprehensive income	-	-	-	109	1 607	(6 249)	(4 533)	88	(4 445)
Total comprehensive income	**-**	**-**	**-**	**109**	**(9 814)**	**(6 249)**	**(15 954)**	**(74)**	**(16 028)**
Distribution of profit	-	(70 481)	-		70 481	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(889)	(889)
Other	-	-	(1 502)	-	1 352	-	(150)	51	(99)
As at 31.12.2021 Audited	**69 161**	**199 160**	**5 580**	**(911)**	**13 568**	**28 932**	**315 490**	**4 610**	**320 100**

**The restatement comprises presentation change of equity in consolidated balance sheet of the Group (note 1.7 hereof).*

	Equity attributable to shareholders of Parent entity								
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals	Retained earnings	Foreign exchange differences on translation of foreign operations	Total	Non-controlling interest	Total equity
As at 1.01.2020	**69 161**	**340 561**	**7 082**	**276 188**	**(285 430)**	**12 681**	**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**	**(109 785)**	**22 500**	**(87 153)**	**188**	**(86 965)**
Distribution of profit	-	(70 920)	-	-	70 920	-	-	-	-
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**	**269 641**	**7 082**	**(1 020)**	**(48 451)**	**35 181**	**331 594**	**5 522**	**337 116**

**The restatement comprises presentation change of equity in consolidated balance sheet of the Group (note 1.7 hereof).*

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

1.1 Background information on the Group

These consolidated financial statements of the Group comprise the financial year ended December 31, 2021 and comparable data.

The Trakcja Group ("Group") consists of the Parent Company Trakcja S.A. with its registered office in Poland ("Trakcja", "Parent Company", "Company", "Parent Entity") and its subsidiaries.

Trakcja S.A. was registered in the National Court Register kept by the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register in Poland on January 29, 2002.

The Parent Company was established for an indefinite period and operates on the basis of the provisions of the Code of Commercial Partnerships and Companies and other laws relating to commercial companies, as well as the provisions of the Statute and other internal regulations.

Company name:	**Trakcja Spółka Akcyjna**
Headquarters and address:	Al. Jerozolimskie 100, 2nd floor, 00-807 Warsaw
Legal form:	joint-stock company
Duration of the Company:	indefinite
KRS:	0000084266
REGON:	010952900
NIP (Tax Identification Number):	525-000-24-39
LEI:	259400IOJQXO1TS70C40
PKD code:	4212Z

Period of time	**The current name of the company**
29.01.2002 - 30.11.2004	Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A.
30.11.2004 - 10.12.2007	Trakcja Polska - PKRE S.A.
10.12.2007 - 22.06.2011	Trakcja Polska S.A.
22.06.2011 - 21.12.2012	Trakcja - Tiltra S.A.
21.12.2012 - 19.12.2013	Trakcja S.A.
19.12.2013 - 29.07.2020	Trakcja PRKiI S.A.
29.07.2020 - now	**Trakcja S.A.**

No change in the name of the reporting entity or other identification data since the end of the previous reporting period has occurred.

The activities of the Parent Company are mainly specialized construction and assembly services for railway, road, tram, bridge and energy infrastructure.

The Parent Company shall specialize in the following activities:

- construction and renovation of tracks,
- foundation and network works,
- installation of traction substations and section cabs,

- installation of high and low voltage, overhead and cable lines,
- mounting of power and local control cables,
- manufacture of products (high, medium and low voltage switchgears, traction network and local control equipment),
- specialist equipment services (excavators, railway and truck cranes, boring rigs, pile drivers),
- construction of bridges, viaducts, piers, overpasses, tunnels, underground passes, roads and accompanying elements of the rail and road infrastructure,
- construction and modernization of tram and trolleybus infrastructure.

The main place of business of the Parent Company is Poland.

The ultimate Parent Company is the Spanish company COMSA S.A.U. ("COMSA"), which draws up consolidated financial statements covering also the data of the Trakcja Group.

In accordance with IAS 27, the Parent Company also prepares separate financial statements.

These annual financial statements were approved for publication by the Management Board of the Parent Company on April 27, 2022.

1.2 Group structure

Trakcja S.A. is the Parent Company of Trakcja Group. The Group's composition and structure as at 31 December 2021 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.*

Accounting principles

Control of related parties

Subsidiaries are consolidated using full consolidation from the date of acquisition, which is the date on which control of the company is acquired, until the date of loss of that control. Control occures when a parent company, by virtue of its involvement in the entity, is exposed to or entitled to variable returns and is able to influence the amount of those returns by exercising power over the entity.

Acquisition of control of a business entity shall be accounted for by the acquistion method. As at the date of acquisition, the identifiable assets acquired and liabilities assumed *of the acquiree within the meaning of IFRS 3 shall be measured at their fair value. The excess of the cost of acquisition (the consideration transferred measured at fair value, the amount of any non-controlling interest in the acquiree measure in accordance with IFRS 3 and, in the case of business combination in stages, the fair value* at the acquisition date of the previously held interest) over the net amount determined at the acquisition date of the fair value of the identifiable assets acquired and liabilities assumed is recognised as goodwill. If the cost of acquisition is less than the net amount determined at the acquisition date of the fair value of the identifiable assets acquired and liabilities assumed, the difference is recognised as profit and loss at the acquisition date (bargain acquisition profit). Transaction costs are recognised in the income statement at the time of incurrence. Non-controlling interests shall be measured at the time of acquisition at the proportional share of the net assets of the subsidiary or at fair value. If control of a subsidiary is lost during a reporting period, the consolidated financial statements recognise the results for that part of the reporting year in which the parent had such control.

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.

Professional judgment, estimates and assumptions

Control over subsidiaries

Trakcja’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 full control over the subsidiary. Trakcja S.A. has become the shareholder in PRK 7 Nieruchomości as a result of the merger between Trakcja S.A. 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 S.A. has become the owner of Torprojekt 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 S.A. has become the owner of PEUiM through the acquisition of its shares.
- Trakcja holds 100% of shares in Dalba sp. z o.o. and has full control over the subsidiary. Trakcja S.A. has become the owner of Dalba through the acquisition of its shares.
- Trakcja holds 94.62% of shares in PDM S.A. and has full control over the subsidiary. Trakcja S.A. has become the owner of PDM through the acquisition of its shares.

Trakcja holds 98.09% of shares in AB Kauno Tiltai and has full 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.

As at December 31, 2021 the Group consists of the Parent Company Trakcja S.A. and its subsidiaries.

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

BTW 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. BTW has been also equipped with a GOTTWALD crane and a DGS track stabilizer.

PRK 7 Nieruchomości sp. z o.o. (“PRK 7 Nieruchomości”)

PRK 7 Nieruchomości based in Warsaw, carries out real estate development activities and has a track record of several successful investment projects, which include, in particular, Husa Park in Warsaw - four-storey multi-family building. The company is currently also carrying capacity construction projects, inter alia execution of construction works for Akademia Pedagogiki Specjalnej im. Marii Grzegorzewskiej in Warsaw.

Torprojekt sp. z o.o. ("Torprojekt")

Torprojekt with its registered office in Warsaw was established in 2009. Torprojekt sp. z o.o. specializes in preparing comprehensive project documentation, including feasibility studies, concepts, basic designs, also construction designs, tender documents and detailed designs for railway lines, stations, nodes, passenger stops and loading points, bridges, viaducts, railway traffic control devices, buildings and structures, including technology infrastructure, 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 1992. The company specializes in the complex construction and repair of urban streets and non-urban roads, together with the complete technical infrastructure accompanying these facilities, both on the ground and underground. In addition, the Company is active in the production of bitumen bounds for its own needs and for the needs of outside entities.

Dalba sp. z o.o. (“Dalba”)

The company with its registered office in Białystok, whose activities involve the performance of engineering works, mainly, during the construction of sanitary infrastructure of roads and streets.

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

The company with its registered office in Bialystok, is active in the execution of construction works and the acquisition of employees, mainly from the market of Eastern Europe. The company additionally provides rental services for equipment and property for external companies.

Branch of Trakcja S.A. in Ukraine

On 2017 Trakcja S.A. opened an establishment in Ukraine. The company did not operate between 2020 and 2021.

Trakcja Ukraina sp. z o.o. (“Trakcja Ukraina”)

On December 30, 2021, the Management Board of PDM decided to immediately sale shares in the subsidiary Trakcja Ukraina sp. z o.o. The Group expects the sale of the shares to take place within 12 months of the date of the decision. In the Group's opinion, the criteria contained in the paragraphs 6-9 of IFRS 5 was therefore met and as at December 31, 2021, the Group classified all assets and liabilities of that subsidiary as held for sale.

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);
- 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.U., a Spanish company, which prepares the consolidated financial statements that include, among many, the data of Trakcja Group.

1.3 Description of the changes in the structure of the Group and an indication of their effects

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.

Furthermore, on August 4, 2021 the registration court registered the change in the name of the subsidiary of Trakcja S.A., from "Bahn Technik Wrocław" limited liability company to "BTW" limited liability company.

On December 30, 2021, the subsidiary of Trakcja – PDM S.A. decided on immediately sale of shares in the subsidiary Trakcja Ukraina sp. z o.o. based in Kiev, Ukraine. The Management Board expects the sale of the shares to take place within 12 months of the date of the decision. In 2021, Trakcja Ukraina sp. z o.o. did not carry out significant operating activities and its net assets as at 31 December 2021 were negative.

During the period of 2021 and after the balance sheet date, no changes, other than those described above, occurred in the structure of the Trakcja Group, including the result of a business merger, acquisition or loss of control of subsidiaries and long-term investments, as well as the division, restructuring or discontinuation of activities.

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

After the balance sheet date and before the date of approval of these financial statements for publication, there were no changes in the structure of the Group.

In connection with the armed conflict in Ukraine, risks were identified in relation to the activities of the subsidiary Trakcja Ukraina sp. z o.o. based in Kiev regarding the possibility of the following events occurring after the balance sheet date:

- impairment of non-financial assets;

- lack of operational capacity;

- loss of control.

At the time of publication of these financial statements, the Group is not aware of any possibility of the above risks. None of the above events, in the event of its occurrence, will have any significant influence on the Company's and the Trakcja Group financial statements.

1.4 Parent Company's Management Board

As at December 31, 2021, the Parent Company's Managament 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;
- Adam Stolarz - Member of the Management Board.

In 2021 the following changes took place in the composition of the Management Board of the Company:

On May 31, 2021, the Supervisory Board of the Parent Company, pursuant to Article 16(2)(1) in conjunction with Article 18(2)(1) of the Statute of the Parent Company, adopted resolutions by virtue of which it appointed the existing four members of the Management Board of the Parent Company, i.e.: Marcin Lewandowski, Paweł Nogalski, Aldas Rusevičius and Arkadiusz Arciszewski, for a new common term of office.

On 29 June 2021, the shareholder of the Parent Company, the Industrial Development Agency S.A. ("ARP"), acting under Article 18.2(2) and (3) of the Statute of the Parent Company, made a written declaration of the

appointment for the next term of office of Mr. Robert Sobków as a member of the Management Board responsible for the area of internal audit and Mr. Adam Stolarz as a member of the Management Board responsible for the area of key clients of the Parent Company.

On August 10, 2021 Mr. Robert Sobków made a statement on termination of the managerial contract with the Parent Company, giving 3 months' notice. On August 19, 2021 Mr. Robert Sobków resigned as a member of the Company's Management Board with effect as at August 19, 2021.

After the balance sheet date, i.e. on March 11, 2022, three members of the Management Board were revoked: Mr. Marcin Lewandowski – President of the Management Board, Mr. Aldas Rusevičius – Vice President of the Management Board and Mr. Adam Stolarz – Member of the Management Board. At the same time, new members were appointed: Mr. Jakub Lechowicz as President of the Management Board, Mr. Piotr Mechecki as Vice President of the Management Board and Mr. Jacek Gdański as Vice President of the Management Board.

Apart from the above mentioned, there were no changes in the composition of the Company's Management Board after the balance sheet date.

As at the day of the publication of the report, the Parent Company's Management Board was composed of the following members:

- Jakub Lechowicz - President of the Management Board;
- Paweł Nogalski - Vice-President of the Management Board;
- Arkadiusz Arciszewski - Vice-President of the Management Board;
- Piotr Mechecki - Vice-President of the Management Board;
- Jacek Gdański - Vice-President of the Management Board.

1.5 Parent Company's Supervisory Board

As at December 31, 2021, the Parent Company's Supervisory Board was composed of the following members:

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

In 2021 the following changes took place in the composition of the Supervisory Board of the Parent Company:

1. On 27 July 2021, the Parent Company received a statement by the shareholder of COMSA, according to which, as at July 27, 2021:
   - Mr. Fernando Perea Samarra was revoked from the function of a Member of the Supervisory Board of the Parent Company, and
   - Mr. Julio Alvarez Lopez was appointed a Member of the Supervisory Board of the Parent Company.
2. on September 10, 2021, by the resolution of the Extraordinary General Meeting of the Parent Company:
   - Mr. Michał Hulbój was revoked from the function of a Member of the Supervisory Board of the Parent Company, and
   - Mrs. Magdalena Komaracka was appointed a Member of the Supervisory Board of the Parent Company.

After the balance sheet date, there were no other changes in the composition of the Supervisory Board until the date of publication of these financial statements.

1.6 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 1.8 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.

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 April 27, 2022.

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 2021. The IFRSs comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Any standards other than those that were in force as at 31 December 2021 and were approved by the EU as at the preparation hereof are described in Note 1.7.

The effect of application of new accounting standards and changes in accounting policy is described in Note 1.7.

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. 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 Trakcja Ukraina sp. z o.o., Trakcja S.A. Branch in Ukraine, a Branch of AB Kauno Tiltai in Ukraine.

Accounting principles

Transactions denominated in foreign currencies are converted by the Company into their functional currency using the exchange rate as at the date of transaction.
As at balance sheet date both assets and liabilities denominated in foreign currencies shall be converted using closing exchange rate. Exchange rate differences arising from the conversion are recognised accordingly in financial revenues (costs).
Non-monetary assets and liabilities recognised at historical costs denominated in foreign currency shall be recognised at the historical exchange rate as at the date of transaction. Non-monetary assets and liabilities recognised at fair value denominated in foreign currency are translated at the fair value exchange rate as at the date of measurement.
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.

Exchange rates used to determine the carrying amounts:

Exchange rate on the reporting date	31.12.2021	31.12.2020
PLN/USD	4,0600	3,7584
PLN/EUR	4,5994	4,6148
PLN/SEK	0,4486	0,4598
PLN/BGN	2,3516	2,3595
PLN/UAH	0,1487	0,1326

Average rate, calculated as the arithmetic mean of monthly average rates	31.12.2021	31.12.2020
PLN/USD	3,8615	3,8996
PLN/EUR	4,5660	4,4442
PLN/SEK	0,4500	0,4239
PLN/BGN	2,3345	2,2723
PLN/UAH	0,1417	0,1450

1.7 Standards and amendments to standards issued by the IASB

Except for the changes presented below, the accounting principles (policy) applied to these consolidated financial statements for the financial year ending on December 31, 2021 are consistent with those applied to the annual consolidated financial statements for the financial year ended December 31, 2020.

The same principles have been applied to both the current and the comparable period.

Amendments introduced independently by the Group

Change of the relocation of entities and organizational unit costs to individual cost centers

On June 25, 2020, Management Board of Trakcja adopted a resolution on the adoption of the cost relocation instruction, where a new method of allocating costs of entities and organizational units to individual cost centers was specified. In connection with the above, commencing from July 1, 2020, the Group introduced amendments to the presentation of costs related to the performance of contracts. In line with this instruction, individual rules for reallocation of costs to relevant cost centers were determined for each organizational unit of the Company's headquarters.

In accordance with IAS 8(22) "Retrospective application": an entity discloses comparative data for each period as if the amended accounting policy had always been applied, which means that the Parent Company should apply the aforementioned amendments as at January 1, 2020. The change made by the Group does not affect the Group's net result and equity, it is only a presentation adjustment between the items of the profit and loss account.

The Group and the Parent Company made a change in the presentation of data comparable from January 1 to December 31, 2020 in relation to the data presented in the published financial statements of the Group for the financial year ended December 31, 2020. The impact of the change on the comparable period was as follows:

- own cost of sales was increased by PLN 4,044 thousand,
- costs of sale, marketing and distribution increased by PLN 217 thousand,
- while general management and administrative costs decreased by PLN 4,261 thousand.

Change in the presentation of goodwill, investments in other entities and equity in the consolidated balance sheet

The Group changed the presentation of goodwill presented in the balance sheet under the item "Intangible assets." The goodwill arising from the business combinations — in legal terms — in the amount of PLN 48,732 thousand was reclassified as a separate item in the balance sheet — "Goodwill", which previously contained only goodwill arising from the acquisition of other entities. In the opinion of the Management Board of the Parent Company, the presentation of the total goodwill gives users a clearer picture of this position of the Group's assets.

The change is presented below:

	31.12.2020		
	After change	Before change	Difference
Intangible assets	3 529	52 261	(48 732)
Goodwill from consolidation	187 269	138 537	48 732

	01.01.2020		
	After change	Before change	Difference
Intangible assets	2 657	51 389	(48 732)
Goodwill from consolidation	217 715	168 983	48 732

The Group changed the presentation of investments in other entities presented in the balance sheet in a separate item. The value of investments in other entities in the amount of PLN 24 thousand has been reclassified to the balance sheet item "other financial assets." The change was made to give the Group's balance sheet a clearer picture.

The change is presented below:

	31.12.2020		
	After change	Before change	Difference
Investments in other units	-	27	(27)
Other financial assets	6 452	6 425	27

	01.01.2020		
	After change	Before change	Difference
Investments in other units	-	25	(25)
Other financial assets	6 227	6 202	25

The Group also made changes in the presentation of equity items as at December 31, 2021 and comparable data, i.e. as at December 31, 2020 and January 1, 2020. The Group decided to introduce a presentation change, as in its opinion such presentation is more meaningful, comparable to other companies and reflects the Group's individual equity positions in a better and more readable way. This is a presentation change and does not affect any financial indicators of the Group.

The changes in equity are presented below:

	31.12.2020		
	After change	Before change	Difference
Equity attributable to shareholders of Parent entity	**331 594**	**331 594**	**-**
Share capital	69 161	69 161	-
Share premium	269 641	-	269 641
Revaluation reserve	7 082	7 082	-
Other capital reserves	(1 020)	329 955	(330 975)
Retained earnings	-	(109 785)	109 785
Retained earnings	(48 451)	-	(48 451)
Foreign exchange differences on translation of foreign operations	35 181	35 181	-
Non-controlling interest	**5 522**	**5 522**	**-**
Total equity	**337 116**	**337 116**	**-**

	01.01.2020		
	After change	Before change	Difference
Equity attributable to shareholders of Parent entity	**420 243**	**420 243**	**-**
Share capital	69 161	69 161	-
Share premium	340 561	340 561	-
Revaluation reserve	7 082	7 082	-
Other capital reserves	(1 152)	276 188	(277 340)
Retained earnings	-	(285 430)	285 430
Retained earnings	(8 090)	-	(8 090)
Foreign exchange differences on translation of foreign operations	12 681	12 681	-
Non-controlling interest	**5 241**	**5 241**	**-**
Total equity	**425 484**	**425 484**	**-**

Effect of application of new accounting standards and changes to the accounting policy

In the period covered by the consolidated financial statements for 12 months, which ended on December 31, 2021, there have been following amendments to accounting policies and financial statements preparation:

The Group applied the following changes to standards for the first time:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 interbank benchmark rate (IBOR) reform – Phase 2**
- **Amendments to IFRS 4 "Insurance contracts" — deferral of IFRS 9**

The amendments to these standards were issued on August 27, 2020 and supplement the first phase of accounting amendments resulting from the interbank benchmark rate reform as at September 2019. The amendments are applicable to annual periods beginning on or after January 1, 2021 or later. The second phase amendments focus on the impact that the replacement of the existing benchmark rate with the new rate resulting from the reform will have on the measurement of, for example, financial instruments and lease liabilities.

The Group applied the amended standards from January 1, 2021.

Further, commencing from January 1, 2021, following the adoption by the European Commission in October 2020, the Company has applied the Amendment to IFRS 16 Leases: Reliefs linked to COVID-19. The Amendment was published on May 28, 2020 and applies to annual periods beginning on or after June 1, 2020, subject to the option of early application. The amendment introduces a simplification in IFRS 16, which makes it possible not to recognize modifications to a lease agreement when changes in payments related to the COVID-19 pandemic occurred (until June 30, 2021) or other reliefs were granted to lessees that change the original financial terms of the lease agreements due to a pandemic.

From January 1, 2021, an amendment to IFRS 4, published on 25 June 2020, shall also apply, with respect to the extension of the period of exemption for insurers from the application of IFRS 9 Financial instruments until January 1, 2023, in accordance with the extended date of entry into force of IFRS 17 Insurance contracts.

The above changes to the standards did not have a material impact on the Group's current accounting policy.

The amendments referred to above had no material impact on the consolidated financial statements.

Standards and interpretations that have been issued by the IASB and have not yet entered into force at the balance sheet date

In these consolidated financial statements, the Group has decided against early application of published standards or interpretations (i.e. before their effective dates).

- **IFRS 17 Insurance Contracts**

The new standard was published on May 18, 2017 and was thereafter amended on June 25, 2020; it applies to annual periods beginning on or after January 1, 2023. Earlier application is permitted (provided that IFRS 15 and IFRS 9 are applied simultaneously). The standard replaces the previous regulations on insurance contracts (IFRS 4). On June 25, 2020, IFRS 4 was also amended to extend the period of exemption for insurers from the application of IFRS 9 Financial instruments until January 1, 2023.

The Company will apply the new standard from January 1, 2023. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the new standard.

- **Amendment to IAS 1 Presentation of Financial Statements: Classification of liabilities as short-term and long-term**

The amendment to IAS 1 was published on January 23, 2020, while the effective date was thereafter modified in July 2020 and is applicable to annual periods beginning on or after January 1, 2023.

The amendment redefines the criteria that must be met in order for a liability to be classified as short-term. The amendment may affect the presentation of liabilities and their reclassification between current (short-term) and non-current (long-term) liabilities.

The Group will apply the modified standard from January 1, 2023. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the new standard.

- **Amendments to IFRS 3, IAS 16, IAS 37 and annual Improvements to standards 2018-2020**

Amendments to these standards were published on May 14, 2020 and are applicable to annual periods beginning on or after January 1, 2022. Among the changes are among others the prohibition to reduce the cost of the fixed assets by the proceeds from the sale of test products arising from the creation/launching of a fixed asset and the clarification of the costs that an entity considers when assessing whether a contract will result in losses.

The Group will apply the amended standards from January 1, 2022. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the amended standard.

- **Amendments to IAS 1 – Disclosure of Accounting Policies and IAS 8 – Definition of Accounting Estimates, published on February 12, 2021.**

Amendments to these standards were published on February 12, 2021 and are applicable to annual periods beginning on or after January 1, 2023. It is the purpose of these amendments to place a greater emphasis on the disclosure of significant accounting principles and to clarify the nature of differences between changes in estimates and changes in accounting policies (principles).

The Group will apply the modified standard from January 1, 2023. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the new standard.

- **Amendment to IFRS 16 Leases — COVID-19 allowances granted after June 30, 2021**

The amendment to IFRS 16 was published on March 31, 2021 and applies to annual periods beginning on or after April 1, 2021. The objective of the amendment is only to extend by one year (until June 30, 2022) the period during which the granting of concessions for lease payments related to COVID-19 does not necessarily involve modification of the lease agreement. This amendment is closely related to the already existing amendment to IFRS 16 published in May 2020.

The Group will apply the change in the standard no earlier than January 1, 2022. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the amended standard.

- **Amendment to IAS 12 Income tax: deferred tax on assets and liabilities arising from a single transaction, published on May 7, 2021**

The amendment to IAS 12 was published on May 7, 2021 and applies to annual periods beginning on or after April 1, 2024. The amendments clarify that the exemption on initial recognition of deferred tax does not apply to transactions where at initial recognition equal amounts of deductible and taxable temporary differences arise and that entities are required to recognize deferred tax on such transactions and thus explain the doubts that arise as to whether this exemption applies to transactions such as leasing and decommissioning liabilities.

The Group will apply the change in the standard from January 1, 2024. As at the financial statements preparation, it is impossible to reliably estimate the impact of application of the amended standard.

- **Amendment to IFRS 17 Insurance Contracts**

The amendment to IFRS 17 was published on December 9, 2021 and applies to annual periods beginning on or after April 1, 2023. The change includes an interim option for comparative information about financial assets presented in the initial application of IFRS 17. The purpose of the amendment is to help entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

The Group will apply the change in the standard from January 1, 2024. As at the date of preparation of these financial statements, the application of the amended standard will not affect the consolidated report of the Group.

In the form approved by the EU, IFRSs do not currently differ to a significant degree from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, interpretations and amendments thereto, which as at the date when these financial statements have been approved for publication, have not yet been adopted for application in EU countries:

- Amendment to IAS 1 Presentation of financial statements: Classification of liabilities as short-term and long-term, published on January 23, 2020, as amended on July 15, 2020,
- Amendment to IAS 12 Income tax: deferred tax on assets and liabilities arising from a single transaction, published on May 7, 2021,
- Amendment to IFRS 17 Insurance Contracts: First application of IFRS 17 and IFRS 9 — comparative information, published on December 9, 2021.

According to the Group's estimates, the aforementioned new standards and amendments to existing standards would not have a material impact on the financial statements if they were applied by the Group at the balance-sheet date.

1.8 Risk to the Parent Company's ability to continue as a going concern and measures taken and planned by the 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 statements of Trakcja for the financial year which ended December 31, 2020, note 62 of annual consolidated financial statements of the Trakcja Group for the financial year which ended December 31, 2020, as well as note 10 of the consolidated quarterly report for nine months which ended September 30, 2021, the Management Board of the Parent Company provides the following update regarding the matters referred to in the aforementioned notes to the financial statements.

Going concern

These consolidated financial statements for the twelve-month period ended December 31, 2021 were prepared based on the going concern assumption and, therefore, do not contain any adjustments in respect of different policies for the recognition and measurement of assets and liabilities that would be required if the going concern assumption for the Parent Company was unjustified.

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

Risk to the going concern status

In the period of 12 months ended on December 31, 2021, the Parent Company recorded net profit of PLN 3,855 thousand, and the net working capital amounted to PLN 33,603 thousand.

As at December 31, 2021, financial liabilities due to credits and loans, leasing and bonds of the Parent Company amounted to PLN 410,378 thousand (long-term part amounted to PLN 332,326 thousand, short-term part to PLN 78,052 thousand) and in comparable period as at December 31, 2020 it amounted to PLN 386,517 thousand (long-term part amounted to PLN 291,713 thousand, short-term part to PLN 94,804 thousand).

As at December 31, 2021, trade and other liabilities amounted to PLN 244,995 thousand, including trade and services liabilities and amounts equal to PLN 187,261 thousand, of which outstanding PLN 18,899 thousand, which were significantly reduced compared to the amount as at December 31, 2020 (trade and services liabilities and retained amounts as at 31 december 2020 amounted to pln 121 940 thousand).

In view of the above factors, there is a risk to the Company's ability to continue as a going concern.

General situation of the Parent Company

The Parent Company's performance for the period of 12 months ended December 31, 2021 was as follows:

- gross result on sales: PLN 15,291 thousand (12 months in 2020 transformed: PLN -24,500 thousand).
- EBITDA: PLN 22,101 thousand (12 months in 2020: PLN -34,336 thousand).
- net profit/loss: PLN 3,855 thousand (12 months in 2020: PLN -70,481 thousand).
- equity: PLN 283,734 thousand (as at December 31, 2019: PLN 279,645 thousand).

Implementation of projects optimizing the Parent Company's activities

During 2021, the Parent Company continued to implement Stage II of the Recovery Plan scheduled for 2020-2021. The initiatives included in the Recovery Plan aim at among others to achieve financial benefits for the Parent company, streamline internal procedures and optimize internal structure. Furthermore, in accordance with the financing documentation, the Parent Company provides the facility agent (mBank S.A.) at least once a month with the Management's Board report on the implementation of the Recovery Plan, additionally verified by a consultant.

Continued negotiations on claims

During the period of 2021 the Management Board of the Parent Company continued negotiations with PKP Polskie Linie Kolejowe S.A. ("PKP PLK") for the settlement of court disputes. As at 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 with capitalized interest as at the date when the claim was filed), including the amount due to Trakcja being approximately PLN 120.3 million.

For the part of the contractual claims described above, the Parent Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as part of mediations at the Arbitration Court by the General Prosecutor's Office of the Republic of Poland for the amount of PLN 139.2 million (the gross amount with capitalized interest as at the date when the claim was filed), including the amount due to Trakcja – approximately PLN 106.9 million. Detailed information has been provided in note 3.11 hereto.

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

As at December 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) amounts to PLN 328.7 million, including the amount due to Trakcja being PLN 279.8 million.

The order portfolio of the Parent Company

The Company's order portfolio as at December 31, 2021 amounted to PLN 1,483 million (excluding part of the revenues attributable to the consortium members). In 2021, Trakcja S.A. signed construction contracts with a total value of PLN 768.4 million (excluding value of works attributable to the consortium members). Moreover, the Parent Company submitted in 2021 the most advantageous bids in public tenders (pending until the date of approval of publication of these financial statements) for the total amount of PLN 83.6 million.

Solicited new significant contracts

In 2021, the Company has signed the following contracts:

a) on February 11, 2021, Trakcja S.A. signed a contract for "Extension of the traffic system accompanied by construction of a viaduct 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", details are given in the current report 4/2021 (contract value – PLN 28.3 million net).

b) on June 2, 2021, Trakcja S.A. signed a contract for "Extension of tram lines in Olsztyn"; details are given in the current report 18/2021 (Company's share – PLN 163.9 million net);

c) on July 5, 2021, Trakcja S.A. signed a contract for "Construction of a tram route connecting Fordońska Street to Toruńska Street together with the development of the road system and the reconstruction of railway infrastructure in Bydgoszcz"; details are given in the current report 26/2021 (contract value – PLN 124.9 million net);

d) on August 11, 2021, Trakcja S.A. signed a contract for "Works on railway line No 7 Warszawa Wschodnia Osobowa – Dorohusk on the section Warsaw – Otwock – Dęblin – Lublin, stage II, section Warszawa Wschodnia Osobowa – Warszawa Wawer", details are given in the current report 31/2021 (contract value plus contingent amount – PLN 422.4 million net);

e) on September 24, 2021, Trakcja S.A. signed a contract for "Construction of a walking-bicycle footpath under the tracks of Ostra and Kręta Street in Kiekrz in the framework of the project works on the railway line E59 on the section Poznań Główny - Szczecin Dąbie" (contract value – PLN 13.7 million net).

Significant contracts signed after the balance-sheet date:

a) on January 5, 2022, Trakcja S.A. signed a contract for "Development of the road and rail system in the Ogrodowa - Północna Streets from Zachodnia Street to Franciszkańska Street along with the reconstruction of the tram loop in Północna Street; details are given in the current report 1/2022 (contract value – PLN 37.0 million net);

b) on February 10, 2022, AB Kauno Tiltai signed a contract for the "Conversion and construction project 330/110/10 kV of the Jonava transformer substation", details are given in the current report 9/2022. Total net contract value – EUR 19.9 million (i.e. PLN 89.5 million net);

c) on March 14, 2022, Trakcja S.A. signed a contract for the "Reconstruction of the Plac Wolności with the technical infrastructure, transfer and maintenance of the spring, small architecture and planting, and construction of a roof above entrance to the Kanał „Dętka" Museum - Branch of the Muzeum Miasta Łodzi"; details are given in the current report 13/2022 (total contract value – PLN 28.8 million net, including: contract value – PLN 27.2 million and conditional amount of PLN 1.6 million);

d) on March 16, 2022, Trakcja S.A. signed a contract for "Restoration of water supply network with connections on Plac Wolności in Łódź" (contract value – PLN 2.4 million net).

The most favorable offers submitted in public tenders at the date of approval of these financial statements for publication

a) development of design documentation and execution of construction works for the construction of Pisarzowa and Limanowa new traction substations under project entitled: "Construction of a new railway line Podłęże – Szczyrzyc – Tymbark/Mszana Dolna and modernization of railway line 104 Chabówka — Nowy Sącz" (contract value – PLN 83.6 million net).

Active liquidity management policy of the Parent Company

In addition to measures aimed at improving financial results in the future, the Management Board of the Parent Company pays close attention to the Parent 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 Parent 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 contracting entities at the initial stage of contract implementation and negotiates with subcontractors to extend payment deadlines. The Parent Company puts great emphasis on optimization of invoicing procedures by reducing the time between the completion of works and issuance of the invoice for performed works.

On March 3, 2021, the Parent Company received payment for the sale of property on Lotnicza 100 Street in Wrocław totaling to PLN 53,000 thousand as a result of which the Company repaid the entire liability for working capital credit granted by mBank S.A. (PLN 50,000 thousand plus interest). Detailed information is provided in current report No 6/2021.

Under the contract "Execution of project and construction works under project entitled: "Renovation of railway lines No. 694/157/190/191 Bronów – Bieniowiec – Skoczów – Goleszów – Cieszyn/Wisła Głębce – Part A: Design and execution of works on the section of the sub-section Bronów – Wisła Głębce" the Parent Company received the inflow of cash:

1) on July 13, 2021, an advance payment in the gross amount of PLN 30,067 thousand;
2) on July 14, 2021, due to the release of security related to proper performance guarantee in gross amount of PLN 30,067 thousand;

On August 3, 2021, under a contract for "Design and construction of the S61 Szczuczyn-Budzisko (state border) expressway, including the following tasks: Task No 2: section road node Ełk Południe - road node Wysokie (including exit slip (road) within road DK 16)" Trakcja received an advance of PLN 30,868 thousand gross.

On October 12, 2021, the Parent Company signed a contract to sell the property at Oliwa 11 Street in Warsaw for the price of PLN 25,000 thousand, which was transferred to the Company on the date of signing the contract. Detailed information is provided in current report No 43/2021.

In addition, on December 23, 2021, the general meeting of AB Kauno Tiltai subsidiary adopted a resolution on the payment of dividend for a period of less than the financial year, i.e. for the period from January to September 2021, together with the outstanding profits from previous years in the amount of EUR 10,000 thousand, of which the amount attributable to the Company as shareholder of AB Kauno Tiltai amounted to EUR 9,806 thousand. The dividend was paid in two parts: the first of 2/3 dividend value - by December 29, 2021, the second of 1/3 dividend value - by January 13, 2022.

As at December 31, 2021, Trakcja held cash and cash equivalents in the amount of PLN 16,618 thousand and unused credit lines in the amount of PLN 18,978 thousand.

As at April 22, 2021, the Parent Company held cash in the amount of PLN 22,505 thousand and has unused credit lines in the amount of PLN 6,064 thousand.

On the basis of the data and assumptions adopted at the time of publication of these financial statements, a financial gap in the amount of about PLN 116 - 176 million was identified for the Parent Company (the financial gap presented in the financial statements for 2020 was PLN 159-216 million). The estimated amount was reported without the recapitalization of the Parent Company (referred to in current reports No 14/2021, 37/2021, 40/2021, 49/2021, 58/2021). The Parent company indicates that the value provided is an estimate and imprecise information that varies over time depending on the assumptions made for future events and the high risk of volatility over time.

If the subsequent steps in the financing and refinancing process fail, the continued operation of the Parent Company will be jeopardized in the opinion of the Management Board of the Parent Company.

New sources of financing

During the period of 2021 and until the date of publication of these financial statements, the Parent Company carried out intensive activities to obtain capital and debt financing, which would cover the financial gap referred to above. That shall include in particular:

I.) related to the acquisition of debt financing:

1. on June 17, 2021, the Parent Company signed long-term financing documents covering the following annexes:

    a. annex introducing a revised and consolidated credit agreement (concluded between the Parent Company and BTW sp. z o.o., PRK 7 Nieruchomości sp. z o.o., PDM S.A., DALBA sp. z o.o., as borrowers and guarantors, and Torproject sp. z o.o., PEUIM sp. z o.o., Trakcja Ukraina sp. z o.o., as guarantors (altogether "Related Entities") and mBank S.A., Credit Agricole Bank Polska S.A. and BGK, as lenders and ARP as

lender), on the basis of which a new credit, a new loan and a new amended guarantee line were granted to the Parent Company (the "Consolidated Credit Agreement");

b. annex introducing amendments to the agreement between creditors of June 13, 2019 (concluded between the Parent Company, subsidiaries, COMSA and creditors, i.e.: BGK, ARP, mBank S.A., Credit Agricole Bank Polska S.A., Bank PKO S.A., AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A. (now UNIQA Towarzystwo Ubezpieczeń S.A.), Credendo — Exccess & Surety Society Anonyme, Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Generali Towarzystwo Ubezpieczeń S.A. and COMSA, PZU S.A., UNIQA Towarzystwo Ubezpieczeń S.A. (altogether "Creditors"), on the basis of which the conditions for cooperation between Creditors have been harmonized; moreover a hierarchy of receivables due from the Parent Company and Related Entities to Creditors and the safeguards established for Creditors by the Parent Company and its Related Entities (the "Intercreditor Agreement") has been established;

c. an annex amending the agreement on common terms and conditions (concluded between the Parent Company, its Related Entities, mBank S.A., Credit Agricole Bank Polska S.A., Bank PKO S.A., BGK and ARP) under which the conditions for granting financing to the Parent Company and to its Related Entities by the bank creditors and ARP (the "Common Conditions Agreement") have been harmonized;

d. an annex introducing amendments to the agreement on the harmonization of selected terms of guarantee agreements and surety agreement of June 13, 2019 (concluded between the Parent Company, Related Entities and AXA Ubezpieczenia Towarzystwo Ubezpieczeń I Reasekuracji S.A.) (now UNIQA Towarzystwo Ubezpieczeń Społecznych S.A.), Credendo – Excess & Surety Societe Anonyme, acting in Poland via Credendo – Excess & Surety Spółka Akcyjna Oddział w Polsce, Generali Towarzystwo Ubezpieczeń S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Sopockim Towarzystwem Ubezpieczeń Ergo Hestia S.A., PZU S.A. and UNIQA Towarzystwo Ubezpieczeń S.A.), on the basis of which the conditions for granting financing to the Company and its Related Entities have been harmonized by the insurance creditors (the "Common Terms Insurance Agreement")

(documents referred to in points a to d above are together entitled as '"Financing Documents").

Under the Harmonized Credit Agreement and under the conditions indicated therein:

a. a new open-end credit of a total amount of PLN 52,983 thousand has been granted to the Parent Company being the borrower;

b. a new open-end loan of a total amount of PLN 52,746 thousand has been granted;

c. bank guarantee lines have been changed, among others by increasing their availability periods.

In particular, two new guarantees were issued for repayment of the advance in the amounts respectively: PLN 30,067 thousand and PLN 30,868 thousand.

In addition, in connection with the revised Common Terms Insurance Agreement a new performance guarantee of PLN 30,067 thousand was issued by insurance companies.

Furthermore, the Harmonized Credit Agreement also provides for the recapitalization of the Parent Company by PKP PLK in an amount of not less than PLN 200,000 thousand by January 31, 2022. In the event the recapitalization is cancelled, the Parent Company undertook to conduct the sale process of AB Kauno Tiltai subsidiary.

Detailed information is provided in current report No 20/2021.

In this note, in points 15-17 concerning acquisition of capital financing were presented events leading to increase of capital in the Parent Company. On April 8, 2022, the Parent Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. as at May 6, 2022, in order to "take a resolution on the increase in share capital of the Parent Company by issuing E-series ordinary bearer shares

by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) of the E-series shares and on the amendment of the Statute." Detailed information is provided in current report No 19/2022.

2. On June 24, 2021, the Parent Company received a notification from mBank, acting as facility agent, that the conditions precedent set out in the annex of June 17, 2021 to the Harmonized Credit Agreement were met on June 24, 2021, the conclusion which the Parent Company has communicated in the current report No 22/2021;

3. As a result of the launch of long-term financing documentation, the Parent Company received the following cash inflows in 2021:
   a. **PLN 52,746 thousand** due to loan from ARP (on June 28, 2021);
   b. **PLN 52,983 thousand** due to open-end credit, including: PLN 43,892 thousand from mBank and BGK and PLN 9,091 thousand from ARP (on June 28, 2021);
   c. **PLN 30,067 thousand** due to proper performance of contract (refund of withheld amount of 7%) on the "Wisła" contract (on July 13, 2021);
   d. **PLN 30,067 thousand** due to advance payment on "Wisła"contract (on July 14, 2021);
   e. **PLN 30,868** thousand due to advance payment on "Ełk"contract (on August 3, 2021);

   The total amount of the above revenues amounted to **PLN 196,731 thousand**.

   These proceeds enabled the Parent Company to unlock the possibility of contract execution through payments to subcontractors and suppliers of materials and to launch invoicing connected to the provision of lack of arrears in payments declarations by subcontractors. In addition, in 2021, the Parent Company managed to limit trade liabilities outstanding over 60 days. There has been a significant improvement in the flow of trade receivables, which was linked to the start of payments blocked by subcontractors.

4. Between June 18, 2021 and November 26, 2021, the Parent Company signed the following annexes corresponding to Financing Documents:
   a. an annex to the Harmonized Credit Agreement concluded on July 29, 2021;
   b. an annex to the Harmonized Credit Agreement concluded on August 27, 2021;
   c. an annex to the Harmonized Credit Agreement concluded on October 1, 2021;
   d. an annex to the Harmonized Credit Agreement concluded on November 26, 2021;

   Based on the above annexes, the parties have made changes to extend the validity of some of the guarantee lines.

5. On December 20, 2021, the Parent Company signed the annexes corresponding to the financing documents on the basis of which the parties decided that certain provisions of the Financing Documents were amended from the date of their signature, including the modification of certain conditions for the guarantees issued under the guarantee line; the date of the financial indicators' examination was postponed, the dates and amounts of past due commitments have been updated and terms for the establishment of some collaterals has been postponed.

   In addition, the parties decided that additional amendments to the Financing Documents would enter into force, in particular: extension of the deadline for the realization of the investment (understood as the submission of an application for registration of the increase in the share capital of the Company to the National Court Register, acquisition of shares in increased share capital in cash and the unconditional provision of funds from this recapitalization in the amount not less than PLN 200,000 thousand) by March 31, 2022, or, in the absence of performance of investment, extension of the date of disposal of all the shares held by the Company in AB Kauno Tiltai byMay 31, 2022, if the following conditions are met:

- the adoption by the general meeting of the Company by December 21, 2021 of a resolution on the recapitalization of the Company by the acquisition by PKP PLK shares in the Company's increased share capital for cash, in an amount of not less than PLN 200,000 thousand; and

- conclusion by the Company and mBank S.A. and KPMG Advisory sp. z o.o. sp.k. by December 20, 2021 of the agreement on the analysis of strategic options for the Trakcja Group relating to the sale by the Company of shares in the share capital of AB Kauno Tiltai; and

- the submission by the Company and its Related Entities, no later than to December 15, 2021, of applications for disclosure in the register of pledges of all changes made to the collateral documents relating to funding granted to the Company.

Detailed information is provided in current report No 53/2021.

On January 28, 2022 the Parent Company submitted an application to the financing entities for an extension of the time-limits for the realization of the investment and, in the absence of such realization, for the disposal of all the shares held by the Company in AB Kauno Tilltai. Discussions with financing entities are currently under way.

6. After December 20, 2021, the Parent Company signed the following annexes corresponding to the Financing Documents:
   a. an annex to the Harmonized Credit Agreement concluded on February 15, 2022;
   b. an annex to the Harmonized Credit Agreement concluded on March 14, 2022;
   c. an annex to the Common Conditions Agreement concluded on March 15, 2022;
   d. an annex to the Common Conditions Agreement concluded on April 13, 2022.

   On the basis of the above annexes, the parties decided among others, to postpone the payment of the installments and the term of reduction of the exposure; moreover, amendments aiming to extend the validity of some of the guarantees within the guarantee line were introduced.

II.) related to the acquisition of equity financing:

1. on May 10, 2021, the Parent Company informed about the convening of the Extraordinary General Meeting of Trakcja S.A. for September 10, 2021, in order to take a resolution on the increase in share capital of the Parent Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute. Detailed information is provided in current report No 9/2021;
2. on May 24, 2021, the Parent Company received a notification from the Company's shareholder — ARP on the conclusion of a conditional agreement between ARP, PKP PLK and the State Treasury of the Republic of Poland — Minister of Infrastructure, concerning mainly the involvement in the Parent Company, under which PKP PLK undertook to subscribe to 250 million E-series shares of the Parent Company for a total issue price of PLN 200 million. Detailed information is provided in current report No 10/2021;
3. on May 24, 2021, the Parent Company delivered delayed as at November 26 ,2020 confidential information concerning the receipt from the ARP and PKP PLK of the notification, that PKP PLK exceeded the threshold of 15% of the total number of votes in the Parent Company as a result of the conclusion of an agreement between ARP and PKP PLK concerning among others execution by ARP voting rights from shares held in the share capital of the Parent Company in a manner agreed with PKP PLK in respect of the acquisition by PKP PLK of shares in the new issue. Detailed information is provided in current report No 11/2021;

4. on May 24, 2021, the Parent Company informed that it had received on November 25, 2020 a notification from the ARP and PKP PLK, that PKP PLK exceeded 15% of the total number of votes in the Parent Company, as a result of the addition of the votes held by the ARP as a result of the conclusion by ARP and PKP PLK of an agreement referred to in Article 87(1)(5) of the Act on Public Offering. Detailed information is provided in current report No 12/2021;

5. on May 24, 2021, the Parent Company received a notification from ARP shareholder of the conclusion of a non-binding agreement between the shareholders of the Parent Company, i.e. ARP and COMSA ,concerning primarily the acquisition by the ARP or the entity controlled directly or indirectly by the State Treasury of the Republic of Poland or any other entity designated by ARP, already accepted by COMSA of all shares and bonds issued by the Parent Company held by COMSA in a given moment. Detailed information is provided in current report No 13/2021;

6. on May 24, 2021, the Parent Company received a request from ARP, a shareholder representing at least one twentieth of the share capital of the Parent Company, to supplement draft resolutions concerning matters on the agenda of the Extraordinary General Meeting of the Parent Company convened on September 10, 2021 together with draft resolutions. Among the draft resolutions, a new draft resolution on the increase in share capital and on the amendment of the Statute was submitted, including among others the following points:

   a. the share capital of the Parent Company is increased from PLN 69,160,780.80 by PLN 200,000,000.00, i.e. to PLN 269,160,780.80;

   b. the above increase in the share capital of the Parent Company will be made by the issue of 250,000,000 E-series ordinary bearer shares with a nominal value of PLN 0.80 each;

   c. E-series shares shall be fully covered, only in cash, before the increase in share capital by issue of E-series shares is registered;

   d. the issue of E-series shares shall be carried out by means of a private subscription as referred to in Article 431(2)(1) of the Code of Commercial Partnerships and Companies, as a part of an offer addressed to one investor, i.e. to a company under the name of PKP PLK with registered office in Warsaw;

   e. the agreement to subscribe to the E-series shares should be concluded within 45 days from the date of adoption of the resolution.

   Detailed information is provided in current report No 14/2021;

7. on June 23, 2021, the Parent Company entered into a consultancy agreement with KPMG Advisory sp. z o.o. sp.k., which started the process of reviewing strategic options for the Trakcja Group, including an overview of the Parent Company assets and business of the Issuer's group with regard to the possibilities of disinvestment regarding the potential sale of shares or stocks held in subsidiaries. Detailed information is provided in current report No 21/2021;

8. on September 10, 2021, an Extraordinary General Meeting of the Parent Company took place, during which, on the basis of a request made by ARP shareholder (representing at least one twentieth of the share capital of the Parent Company), it was not possible to consider an item on the planned agenda, which concerned the adoption of a resolution on the increase in the share capital of the Parent Company;

   In addition, the Extraordinary General Meeting, at ARP request, adopted a resolution calling for an Extraordinary General Meeting to be convened on November 29, 2021, during which the above-mentioned resolution from which the extraordinary General Meeting refrained on September 10, 2021, is to be considered. Detailed information is provided in current report No 37/2021;

9. on September 10, 2021, the Parent Company informed about the convening of the Extraordinary General Meeting of Trakcja S.A. for November 29, 2021, in order to adopt a resolution on the increase in share capital of the Parent Company by issuing E-series ordinary bearer shares by private subscription, excluding in full

the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute;

10. on November 19, 2021, ARP and COMSA concluded a preliminary share sale agreement and a conditional sale agreement for bonds issued by the Company. Under the agreement, ARP undertook to acquire all the shares held by COMSA in the share capital of the Company in a given moment as well as bonds issued by the Company; COMSA undertook to sell them under the terms specified in the agreement, while making the transaction subject to the fulfillment of a number of suspending conditions set in the agreement. The agreement was concluded on the assumption that shareholders of the Company will adopt a resolution on the increase in the share capital of the Company from PLN 69,160,780.80 to PLN 269,160,780.80 by issuing 250,000,000 of the E-series new ordinary shares worth PLN 0.80 each;

11. on November 29, 2021, the Management Board of the Parent Company informed that the Extraordinary Meeting of Shareholders of the Company, which was convened on November 29, 2021, in connection with the request made by ARP shareholder, announced a break in proceedings until December 21, 2021. Detailed information is provided in current report No 48/2021;

12. on December 21, 2021, the Management Board of the Parent Company informed that the Extraordinary Meeting of Shareholders convened on November 29, 2021 and which, on the same day resumed its proceedings after a break following a request made by ARP shareholder, had announced a further pause until December 29, 2021. Detailed information is provided in current report No 54/2021;

13. on December 29, 2021, the Extraordinary Meeting of Shareholders adopted a resolution not to proceed with point 5 of the scheduled agenda on the increase in share capital of the Parent Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute. Detailed information is provided in current report No 58/2021;

14. on December 30, 2021, the Company's shareholders – ARP and COMSA, notified the Company of the conclusion of the annex, by virtue of which the parties prolonged until January 31, 2022 the expiry date of the preliminary agreement for the sale of shares and the conditional agreement for the sale of bonds issued by the Company in the event that the General Meeting of the Company did not adopt a resolution concerning the increase in the Company's share capital from PLN 69,160,780.80 to PLN 269,161 thousand by issuing 250,000,000 new E-series ordinary shares worth 0.80 PLN each. Detailed information is provided in current report No 60/2021. Subsequently, after the balance sheet date, i.e. on February 1, 2022, ARP and COMSA concluded an annex, by virtue of which the deadline for the termination of the agreement in the absence of the above-mentioned resolution was extended until 30 April 2022. Detailed information is provided in current report No 8/2022;

15. After the balance sheet date, i.e. on January 31, 2022, ARP - shareholder representing at least one twentieth of the share capital of the Company - submitted a request to convene the Extraordinary Meeting of Shareholders of the Company for April 8, 2022. Detailed information is provided in current report No 6/2022;

16. On January 31, 2022, the Parent Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for April 8, 2022. Detailed information is provided in current report No 7/2022;

17. On April 8, 2022, the Parent Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for May 6, 2022, in order to “take a resolution on the increase in share capital of the Parent Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute.” Detailed information is provided in current report No 19/2022.

Risks related to the SARS CoV-2 pandemic

The infrastructure construction sector, in which the Group operates, has been affected by the COVID-19 epidemic to a much less extent than other sectors of the economy, but the restrictions imposed by general government generate risks impeding the operation of the companies. This risk is inter alia linked to difficulties in accessing materials and raw materials or problems with employees, especially those who move across national borders (Germany and Ukraine).

A detailed description of risks was presented in point 2.10 of the Management Board's report on the Company's activities for 2021.

In the Group's assessment, the possibility of those risks occurring is medium and as at the approval date of publication of these financial statements the Group is unable to estimate the impact of these risks on the future financial results and cash flows of the Group.

In the event of any significant impact of the pandemic on the Group's financial and asset situation, the Management Board of Trakcja will inform the stakeholders with an appropriate stock exchange announcement.

Actions taken by the Parent Company in the review of strategic options

The Parent Company is in the process of reviewing strategic options. The Management Board is in the process of analyzing the assets held by the Parent Company as well as the activities of the Issuer's group with regard to the possibility of disinvestment in the potential sale of stocks or shares held in related entities. The above mentioned review of strategic options is conducted in parallel with the increase in share capital as its alternative in the event of the thin capitalization of the Parent Company (as reported by the Parent Company in current report No 21/2021). As at the date of approval of these statements for publication, no decisions have been taken on the selection and implementation of options in this area.

Risk of non-achievement of contractual financial indicators

In connection with the signing on June 17, 2021 of a number of annexes to the agreements referred to in the current report No 20/2021 Trakcja is obliged to observe the financial indicators (hereinafter referred to as "Covenants") related to the current financial situation of the Company and the Group. The agreement specified that the first verification of whether the Company and the Group fulfilled the Covenants would take place on December 31, 2021, further verifications to occur on a quarterly basis (the Company) and on yearly basis (the Group) until September 30, 2023. On the basis of the annexes to the above-mentioned agreements concluded on December 20, 2021, about which the Company informed in the current report No 53/2021, the date of the first verification of the fulfillment of the Covenants was postponed to June 30, 2022. In the event of the risk of non-compliance with the Covenants as at June 30, 2022, the Parent Company shall request a further postponement of the testing dates of the Covenants.

Risk of failure

The Management Board of the Parent Company has prepared the financial statements on the assumption of going concern in a period of at least 12 months from the date when these financial statements have been approved for publication. The continuation of the Parent Company's activity depends on the effective implementation of the financial gap coverage process as a result of the steps in the refinancing of the business, which includes both equity, debt and guarantee instruments. The Management Board of the Parent Company is particularly aware that there is a serious risk of non-compliance with conditional agreement concluded between ARP, PKP PLK and the State Treasury of the Republic of Poland — Minister of Infrastructure, concerning mainly the involvement in the Parent Company, in which PKP PLK undertook to subscribe to 250 million E-series shares of the Parent Company for a total issue price of PLN 200 million. There is also a risk that, in the event of the failure to effect the recapitalization of the Parent Company, the proceeds from the possible sale of AB Kauno Tiltai or other non-operational assets and of the shares in related entities identified in the strategic option review, will not be sufficient to cover in full the estimated financial gap.

Possible 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, adverse COVID-19-related events as well as military conflict in Ukraine, may cause future deterioration of liquidity.

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

1. commencing negotiations with the Parent Company's creditors concerning debt restructuring combined with taking steps permitted by applicable legal regulations, aimed at protecting the Parent Company and the interests of the creditors and shareholders.
2. reduction of the risk of the success of the capital increase through subscription of 250 million shares of the E-series - the Parent Company has taken parallel steps to dispose of the key assets of the Parent Company as an alternative to cover the financial gap;
3. conducting operational restructuring involving the sale of assets that are not used in the core operating activities, inter alia shares in related entities and tangible fixed assets.
4. limitation of the activities of the Parent Company.

Risk associated with the war in Ukraine

Notwithstanding the foregoing, the Parent Company identified the risk of outbreak, after the balance sheet date, of a war on the territory of Ukraine. Since the beginning of the war events in Ukraine, the Company has continuously and thoroughly analyzes the impact of the above events on areas of potential risks that could significantly affect the activities and future financial results of the Company and the Capital Group. Accordingly, at the date of approval of these financial statements for publication:

1. The purchase plans on the contracts of the Company were analyzed, with the result that the risks of a sudden and high increases in the prices of the materials used in the contracts carried out by the Trakcja Group have been updated, including mainly metallurgical products, rails, structural steel, reinforcing steel, but also increases in prices of railway sleepers, turnouts, aluminum and copper cables, concrete products, asphalt masses and other materials, including fuels. This risk may affect the valuation and profitability of construction contracts carried out by the Trakcja Group in 2022.
2. Potential risks have been identified that could have an impact on the timetable for the implementation of the Company's contracts, due to possible difficulties in connection with the unavailability or accessibility of employees, in particular those who are citizens of Ukraine employed by the Company's subcontractors, as a result of the widespread mobilization in Ukraine.
3. A significant impact on the evolution of the cost of the factors of production has been identified, namely a weakening of the PLN rate vis-à-vis the EUR and USD, as a result of which there is a risk of the inflationary pressure involved. As a consequence, there may be a further increase in interest rates, which would affect the financial costs of the Company and the Trakcja Group.
4. There were no significant distortions regarding the limits of the refueling introduced by PKN ORLEN S.A. Fuel delivery schedules and monitoring of the Group's daily demand cycle are established on an ongoing basis, which allows as at the date of approval of these financial statements for publication, to maintain the expected equipment and transport performance.
5. The Company keeps under constant review the activities of the Group, in particular the impact on the parties' contractual obligations in the context of the situation and the risks associated with it.
6. Risks (which, if any, will not have a significant impact on the financial statements of the Trakcja Group) have also been identified in relation to the activities of Trakcja Ukraina sp. z o.o. subsidiary based in Kiev, which

in 2021 did not carry out significant operational activities. In view of the ongoing military activities, these risks are:

- impairment of non-financial assets of the subsidiary;

- the lack of operational capacity of the subsidiary;

– loss of control over the subsidiary.

The Management Board of the Parent Company has waived the presentation of revenues from external customers by product and service because of the excessive cost of obtaining this information, which is in line with IFRS 8.

1.9 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
31.12.2021 r.	4,5775	4,4541	4,7210	4,5994
31.12.2020 r.	4,4742	4,2279	4,6330	4,6148

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

Key items of the consolidated balance sheet translated into EUR:

	31.12.2021		31.12.2020	
	kPLN	kEUR	kPLN	kEUR
Non-current assets	560 778	121 924	581 319	125 968
Current assets	817 784	177 802	896 437	194 253
TOTAL ASSETS	**1 378 562**	**299 726**	**1 477 756**	**320 221**
Equity	320 100	69 596	337 116	73 051
Long-term liabilities	356 358	77 479	340 847	73 860
Short-term liabilities	702 104	152 651	799 793	173 310
TOTAL EQUITY AND LIABILITIES	**1 378 562**	**299 726**	**1 477 756**	**320 221**

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 31.12.2021		Year ended 31.12.2020	
	kPLN	kEUR	kPLN	kEUR
Sales revenues	1 424 841	311 271	1 338 982	299 267
Cost of goods sold	(1 367 203)	(298 679)	(1 331 720)	(297 644)
Gross profit (loss) on sales	**57 638**	**12 592**	**7 262**	**1 623**
Operating profit (loss)	22 154	4 840	(90 163)	(20 152)
Gross profit (loss)	**(1 625)**	**(355)**	**(119 858)**	**(26 789)**
Net profit (loss) from continued operations	(11 583)	(2 530)	(109 986)	(24 582)
Net profit for the period	**(11 583)**	**(2 530)**	**(109 986)**	**(24 582)**

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 31.12.2021		Year ended 31.12.2020	
	kPLN	kEUR	kPLN	kEUR
Cash flows from operating activities	(42 879)	(9 367)	37 174	8 309
Cash flows from investment activities	40 351	8 815	2 272	508
Cash flows from financial activities	(6 432)	(1 405)	(11 001)	(2 459)
Total net cash flows	**(8 960)**	**(1 957)**	**28 445**	**6 358**

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.

	31.12.2021		31.12.2020	
	kPLN	kEUR	kPLN	kEUR
Cash at start of period	135 906	29 450	107 461	25 234
Cash at end of period	**126 946**	**27 601**	**135 906**	**29 450**

Cash excluded from the statement of cash flows as at December 31, 2020 comprises cash blocked on the property development project accounts in the amount of PLN 272 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 December 31, 2019, used to calculate the amount of cash at start of period ended December, 31, 2020 was 4,2585 PLN/EUR.

1.10 Information concerning 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 2021.

Key customers

In 2021 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:

The total amount of income obtained in 2021 from a single customer (thousand PLN)	Operation segment containing the revenues
572 998	Civil construction - Poland
166 000	Civil construction - Poland

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.

Operating segments

For the period from 1.01.2021 to 31.12.2021 *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	849 515	539 097	36 229	1 424 841	-	-	1 424 841
Sales between segments	747	12	55	814	-	(814)	-
Total segment revenues	**850 262**	**539 109**	**36 284**	**1 425 655**	**-**	**(814)**	**1 424 841**
Results							
Depreciation	24 647	12 013	469	37 129	-	-	37 129
Financial revenues - interests	550	430	204	1 184	-	(443)	741
Financial expenses - interests	19 674	641	532	20 847	-	(443)	20 404
Gross profit	**26 877**	**16 113**	**(1 871)**	**41 119**	**-**	**(42 744)**	**(1 625)**

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)**

As at 31.12.2021 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	**1 017 818**	**549 343**	**56 633**	**1 623 794**	**-**	**(302 021)**	**1 321 773**
Assets not allocated to segments							56 789
Total assests							**1 378 562**
Segment liabilities*	**462 118**	**319 570**	**15 007**	**796 695**	**-**	**(94 591)**	**702 104**
Other disclosures:							
Capital expenditures	11 599	16 687	124	28 410	-	-	28 410
Impairment of non-financial assets	(232)	(583)	-	(815)	-	-	(815)

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

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*

Geographical segments

For the period from 1.01.2021 to 31.12.2021 Audited	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	885 662	539 179	1 424 841	-	-	1 424 841
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	737	12	749	-	(749)	-
Total segment revenues	**886 399**	**539 191**	**1 425 590**	**-**	**(749)**	**1 424 841**

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 between segments	-	-	-	-	-	-
Sales domestic/ abroad	776	125	901	-	(901)	-
Total segment revenues	**767 385**	**572 498**	**1 339 883**	**-**	**(901)**	**1 338 982**

As at 31.12.2021	**Continued operations**					
Audited	**Domestic**	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	1 068 506	555 288	1 623 794	-	(302 021)	1 321 773
Segment liabilities*	492 540	304 155	796 695	-	(94 591)	702 104

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

As at 31.12.2020	**Continued operations**					
Modified	**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*

2. Notes to the income statement

2.1 Sales revenue

Accounting principles

The Group applies IFRS 15 to all agreements with customers, save for: lease contracts within the scope of IFRS 16 Leases; insurance contracts within the scope of IFRS 4 Insurance Contracts; financial instruments and other contractual rights or obligations within the scope of 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 Ventures.
The Group recognizes a customer agreement remaining within the scope of IFRS 15 only when all of the criteria specified below are met:
• parties have entered into an agreement and are obliged to perform their obligations,
• the Group is able to identify each party's rights in respect of goods or services to be transferred,
• the Group is able to identify payment terms for goods or services to be transferred,
• the agreement has economic content,
• it is likely that the Group will receive the remuneration to which it is entitled in exchange for the goods or services to be transferred to the customer.
The Group combines two or more agreements that have been executed concurrently or nearly concurrently with the same customer (or customer's associates) and recognized r them as a single agreement if at least one of the criteria specified below is met:
• agreements are negotiated as a package and they concern the same commercial purpose;
• the amount of remuneration due under one agreement depends on the price or performance of another agreement;
• goods or services have been promised in contracts.
The Group recognizes an amendment to an agreement as a separate agreement if both of the conditions specified below are met:
• the scope of the agreement is increased due to the addition of promised goods or services that are considered separate; and
• the price specified in the agreement is increased by the amount of remuneration reflecting the individual selling prices specified by the entity for additional promised goods or services and any relevant adjustments to such price made in order to reflect the circumstances of the particular agreement.

Identification of performance obligations

Upon execution of an agreement, the Group evaluates promised goods or services in such agreement with a customer and identifies as a performance obligation any promise to transfer to the customer:
• goods or services (or package of goods or services) that can be made separate; or
• groups of separate goods or services that are substantially identical and in which case the transfer to the customer has the same character.

Fulfillment of performance obligations

The Group recognizes revenue when it has fulfilled (or is in the process of fulfilling) its performance obligation by transferring the promised goods or services (i.e. an asset) to the customer. The transfer of the asset occurs when the customer acquires control of the asset.

Determining the transaction price

Upon fulfilling (or in the process of fulfilling) a performance obligation, the Group recognizes as revenue an amount equal to the transaction price (excluding estimated variable remuneration, which is limited) that has been allocated to that performance obligation. In order to determine the transaction price, the Group takes account of contract terms and customary business practices. The transaction price is the amount of remuneration that the Group expects to receive in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (e.g. certain sales taxes).

Variable remuneration

If the remuneration specified in the agreement comprises a variable amount, the Group estimates the amount of remuneration to which it will be entitled in exchange for transferring the promised goods or services to the customer. The Group estimates the amount of variable remuneration based on one of the following methods, depending on which of them allows the Group to more accurately predict the amount of remuneration to which it is entitled:
• the expected value – the expected value is the sum of products of possible remuneration amounts and corresponding likelihoods that the occur. Expected value may be an appropriate estimate of the amount of variable remuneration if the Group enters into a large number of similar agreements.
• the most likely value – the most likely value is the single, most likely amount from among all possible remuneration amounts (i.e. the single most likely result of an agreement). The most likely value can constitute the proper estimate of the amount of variable remuneration if the agreement has only two possible results (e.g. either the Group earns a performance bonus or not).
The Group includes a certain part or the entirety of variable remuneration amount in the transaction price only to the extent that it is highly likely that a significant portion of previously recognized cumulative revenue amount will not be

reversed when the amount of variable remuneration is no longer uncertain. Any contingent changes in the transaction price are recognized prospectively.

Important financing element of an agreement

The Group has decided to take advantage of the practical simplification that was provided for and against adjusting the transaction price with the impact of the time value of money in the case of agreements for which the Group does not expect, upon execution thereof, that the period between the point when the Group transfers goods or services and the date of payment will be longer than one year.

The transaction price of agreements for which the Group expects, upon execution thereof, that the period between the point when the Group transfers goods or services and the date of payment will be longer than one year is adjusted with an important financing element. In the case of prepayments, the Group recognizes interest costs, while for payment terms longer than 12 months, the Group recognizes interest income accordingly.

In order to estimate the important financing element, the discount rate must be determined. The Group applies the rate that would have been applied if a separate financing transaction had been entered into between the entity and its customer upon agreement execution. In order to reflect the credit characteristics of the financing recipients, various discount rates are applied to transactions depending on whether the Group acts as the financing entity or financing recipient.

Discount rates are reviewed at the minimum when the financial statement is prepared and are applied to agreements executed after the date when the rate was updated.

The Group analyzed the provisions of the agreements executed with customers and arrived at a conclusion that in this aspect the agreements contain no important financing elements, considering the condition specified in IFRS 15.62 has been fulfilled, i.e. advances in significant amount have been prepaid for other reason than provision of financing to the customer, and the difference between the promised remuneration and the sale price in cash is proportional to the cause. Advances constitute collateral against the customer's failure to properly perform its part of contractual obligations, i.e. the payment of amounts due. Advances received are recognized in the balance-sheet under "Liabilities under contracts with customers".

Guarantees

The Group provides guarantees for products sold, which assure the customer that the product is compliant with the specifications agreed by the parties. The Group recognizes such guarantees in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Certain non-standard agreements with customers provide for extended guarantees. Such guarantees constitute a separate service and are recognized as a performance obligation to which a part of the transaction price is ascribed.

Sales 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.

If there is likelihood that the total agreement performance costs will exceed the total agreement revenues, the anticipated loss for the entire agreement is recognized as a cost in a period in which it was disclosed as provisions under the liabilities. When determining whether a given contract will lead to a loss, the Group deems those costs which cannot be avoided due to the agreement having been executed (in particular, those indirect costs which have been incurred in related to activities necessary to perform the agreement) as unavoidable costs of fulfilling the contractual obligation.

If revenues determined using the input-based method are higher than invoiced revenues, the Group presents the surplus (difference) in the balance-sheet assets under "Assets under agreements with customers".

If invoiced revenues are higher than revenues determined using the input-based method, the Group presents the surplus (difference) in the balance-sheet liabilities under "Liabilities under agreements with customers".

Professional judgment, estimates and assumptions

Measurement of long-term construction contracts

The Group measures long-term construction contracts based on the input-based method, where it recognizes revenue based on costs incurred as compared to the total expected expenditure required to fulfill the performance obligation. Individual contract budgets are subject to a formal updating process based on current information, but no more frequently than once a quarter. If the cost incurred is not proportional to the degree in which the performance obligation is fulfilled, the Group – in order to better reflect the degree in which the obligation is fulfilled – adjusts the effort-based method so as to recognize only those revenues that correspond to the costs incurred. If the Group is unable to measure the results of fulfilling a performance obligation in a rational manner, then the revenue earned on account of that contract is recognized only up to the amount of costs incurred that the Group expects to recover.

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 toperform 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 company 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	Trakcja S.A. 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 company 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 company 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 company 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 company 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 S.A. 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 company. 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 company does not apply payment terms, as well as advance payments exceeding 12 months, thus the contracts do not contain a significant element of financing.

Main types of products and services	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Revenues from sale of construction services	1 358 180	1 288 454
Revenues from design services	22 050	21 277
Revenues from Equipment rental	3 841	2 339
Deliveries of products (switchgears, supporting structures, etc.)	14 476	14 280
Deliveries of goods and materials	1 949	1 825
Development activities	12 611	-
Other	11 734	10 807
Total	**1 424 841**	**1 338 982**

Allocation of revenues by country	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Poland	885 251	765 460
Lithuania	462 245	514 618
Sweden	69 185	46 724
Latvia	7 630	5 236
Hungary	9	-
Germany	402	1 148
Ukraine	119	5 796
Total	**1 424 841**	**1 338 982**

Allocation of revenues by recipients	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
General government	1 349 957	1 153 355
Private Sector	74 884	185 627
Total	**1 424 841**	**1 338 982**

Breakdown of sales revenues according to the duration of contracts, measured from the balance sheet date	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Contracts to 12 months	731 243	922 309
Contracts over 12 months	693 598	416 673
Total	**1 424 841**	**1 338 982**

Key recipients	Year ended 31.12.2021 Audited	31.12.2020 Audited
PKP PLK S.A.		
Revenues obtained in the period from the recipient - amount in thous. PLN	572 998	513 739
% Share of revenues obtained from the recipient in relation to the total Company's revenues from sales	40%	38%
GDDKiA		
Revenues obtained in the period from the recipient - amount in thous. PLN	164 200	27 496
% Share of revenues obtained from the recipient in relation to the total Company's revenues from sales	12%	2%
Lithuanian Road Administration		
Revenues obtained in the period from the recipient - amount in thous. PLN	129 151	271 231
% Share of revenues obtained from the recipient in relation to the total Company's revenues from sales	9%	20%

Revenue earned by the Company is recognized in three operating segments which are the same reporting segments.

Variable remuneration for construction contracts

The Group included in the valuation of construction contracts variable remuneration resulting from court and out-of-court claims and contractual conditions on the basis of lower conditions, which also require a subjective judgment of the Management Board of the Parent Company. The recognition of variable remuneration was linked to make estimates that required inherent uncertainty. In the opinion of the Management Board of the Parent Company there is no high risk of future reversal of income recognized as a result of recognition of variable remuneration. The total value of income resulting from recognition of variable remuneration recognized in the financial year ended December 31, 2021 and prior years amounts to PLN 138,081 thousand.

Court claims

The Management Board of Trakcja negotiates payment of contractual claims proceeded in court from PKP PLK, the total amount of which as at the publication hereof amounts to approximately PLN 158.6 million (gross amount along with interest capitalized as at the date of filing the claim), including approx. PLN 120.3 million for Trakcja. Pursuant to internal analyses and opinions of external advisers, the Parent Company includes in long-term contract budgets the court claims filed against contracting entities. The amount of court claims filed by the Parent Company against contracting entities, accounted for in long-term contract budgets, was adjusted by the risk factor and the probability of receiving factor. The amount of claims recoverable by the Company is between PLN 35 and 55 million. The amount was estimated on the basis of expert opinions and estimates of the Parent 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 entity. In addition, the Parent Company included revenues from contractual claims in the valuation of a significant road contract.

In addition, the Parent Company has analyzed possible scenarios for two railway contracts concerning the feasibility and profitability of those contracts and the risks associated with the calculation of contractual penalties by the Contracting Entity in the event of default or execution of contracts in a different time from this resulting from the contracts concluded. In view of the impossibility of completing the agreed work for technical unfeasibility of the contracts concluded, the Parent Company assumed that the most optimal scenario is the early termination of the contracts by mutual consent of the parties and the absence of penalties. At the same time, the Parent Company does not exclude to withdraw unilaterally from the contracts. In the opinion of the Management Board of the Parent Company, the charging of contractual penalties by the Contracting Entity would be unfounded and the Parent Company took steps to lower such risks. In view of the above, on December

31, 2021, the budgets of the two contracts were intended to be completed after the finalization of the design phase. The Parent Company has waived all other disclosures relating to these contracts by reference to paragraph 92 of IAS 37. In the opinion of the Management Board of the Parent Company, such disclosures could provide information to other parties of contracts, which may be used contrary to the interests of the Parent Company. Detailed information, including on actions taken in court, is given in note 5.3 of these financial statements.

In connection with ongoing discussions with the Contracting Entity, the Parent Company sees the possibility of returning to full performance of contracts in the event of the termination of obstacles preventing their execution.

Contractual claims

As at December 31, 2021, in contract budgets variable remuneration resulting from contractual claims was recognized and included in revenue - according to the stage of completion of the contract:

- pursued in courts; estimated and taking into account the probability coefficients of obtaining the amounts requested; and

- pursued through contract negotiations with the Group's customers.

An analysis of opportunities and risks is carried out for each contract in the Group, taking into account contractual, legal and technical implications and expert judgment. Contract records, performance (or non-performance) of contractual obligations by all parties to the contract and the actual chances of payment of the claim are taken into account.

The Group derogates from disclosure of detailed value of claims and indexation, since in the opinion of the Management Board of the Parent Company, such disclosures could provide information to other parties to contracts, which may be used contrary to the interests of the Parent Company.

Estimated additional revenue under individual contracts

For some ongoing contracts, the Group, when establishing the contract budget and its expected result, takes into account variable amounts of remuneration (hereinafter called "Conditional Amounts") and recognizes them in revenue, according to the stage of completion of the contract. Conditional Amounts arise from contractual provisions and may become due to the Group in the event of future events, inter alia such as additional work not included in the contract. Their nature means, that the final acquisition and value of Conditional Amounts are subject to uncertainty. Conditional Amounts shall be included in the budgets of contracts only if there is a high probability of receiving.

Indexation of the contractual remuneration

In the contract budgets, the Group includes remuneration for the indexation of the contractual remuneration [(price increase index defined in the contracts) compared to the conclusion date of the contract], if the contract provides for it, and recognizes this remuneration as income, according to the stage of completion of the contract.

Contract value principles are defined individually in project-specific contracts and the Group calculates the additional compensation arising from indexation on the basis of contractual terms.

Some of the agreements concluded contain a maximum limit to which the indexation may be calculated. The indexation records, even in the case of contracts with the same customers, vary according to the date of their conclusion. The indexation on individual contracts refers to the different indicators published by GUS (the Central Statistics Office) according to the contract. In the case of part of the contracts, the payment of the additional remuneration as a result of the indexation shall be subject to the minimum value of the above mentioned indicators or to the condition that the progress of the work is made in accordance with the material and financial timetable.

As at the date of approval of these financial statements, not all Group's requests for indexation have been considered and among considered only part has been accepted. The calculation of the indexation amount is complex and for some contractual provisions there are differences of interpretation between the Group and its clients, which is typical for the entire infrastructure construction industry in the opinion of the Management Board of the Parent Company. The opinion of the Management Board of the Parent Company in respect of the right to indexation and calculation of amounts due to the Group is supported by opinions of external advisors and emerging judicial case law (for the benefit of companies – contractors of construction services) relating to agreements of other entities in which similar provisions are made in the field of indexation, as in the Group's agreements.

It should be pointed out that, in the absence of uniform market standards for the calculation of the amount of indexation, the calculation of the indexed remuneration is subject to risks and uncertainties.

2.2 Operating expenses

Expenses by type

	Year ended	
	31.12.2021 Audited	31.12.2020 Modified
Depreciation	37 129	37 728
Consumption of materials and energy	369 361	434 609
External services	701 168	639 026
Taxes and charges	4 937	4 598
Payroll	240 440	231 964
Social security and other benefits	40 121	38 421
Other types of costs	54 062	50 332
Total costs by type	**1 447 218**	**1 436 678**
Change in inventories, products and prepayments	(11 582)	(42 066)
Cost of manufacture of products for the entity's own needs (negative	(8 199)	(11 217)
Cost of sales, marketing and distribution (negative value)	(6 434)	(6 133)
General and administrative costs (negative value)	(60 198)	(56 658)
Manufacturing cost of products sold	**1 360 805**	**1 320 604**
Value of materials and goods sold	**6 398**	**11 116**
Cost of goods sold	**1 367 203**	**1 331 720**

Employee benefits expenses

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Costs of payroll and employment termination benefits	225 716	220 191
Social security costs	34 907	33 405
Provision for retirement pay and disability benefits	786	(345)
Provision for jubilee awards	(1)	140
Provision for unused leaves	9 860	9 721
Provision for bonuses	4 079	2 257
Employee benefits under Employee Pension Program	509	471
Other employee benefits	4 705	4 545
Total	**280 561**	**270 385**

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

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Items recognised in cost of goods sold		
Depreciation of fixed assets	33 677	34 129
Amortisation of intangible assets	361	391
Depreciation of investment properties	101	32
Total	**34 139**	**34 552**
Items recognised in cost of sales, marketing and distribution		
Depreciation of fixed assets	1	94
Total	**1**	**94**
Items recognised in general and administrative costs		
Depreciation of fixed assets	2 118	2 160
Amortisation of intangible assets	871	922
Total	**2 989**	**3 082**
Total depreciation of fixed and intangible assets		
Depreciation of fixed assets	35 796	36 383
Amortisation of intangible assets	1 232	1 313
Depreciation of investment properties	101	32
Total	**37 129**	**37 728**

2.3 Other operating revenues

	Year ended	
	31.12.2021 Audited	**31.12.2020 Audited**
Release of write offs fixed assets	24 181	-
Profit on sale of non-financial non-current assets	4 317	2 406
Valuation of investment property	2 395	956
Release of provisions	250	570
Reinvoicing of costs	19	138
Donations (gants) received	3	3
Grant	-	389
Redemption of subsidies received from the Polish Development Fund	2 217	-
Received penalties and fines	332	-
Surplus of stocktaking	359	-
Redeemed liabilities	73	76
Co-financing for salaries	-	723
Revenue from patents and licenses	444	1 964
Insurance compensation	698	469
Use of company cars	467	406
Other	2 375	3 009
Total	**38 130**	**11 109**

On October 12, 2021, the contract of sale was signed by Trakcja, on the basis of which real property and perpetual usufruct on Oliwska 11 Street in Warsaw were sold to Dantex sp. z o.o. sp. k. for the price of PLN 25,000 thousand net. The profit from the above sale recognized in the consolidated profit and loss account amounted to PLN 24,181 thousand. Detailed information is provided in current report No 43/ 2021 and in note 3.12.

2.4 Other operating costs

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Paid fines, compensation	389	67
Litigation costs paid	2 555	1 943
Donations made	120	275
Inventory shortages of stocks	-	66
Loss on disposal of non-financial fixed assets	1 114	172
Value of liquidated non-financial assets	260	440
Value of liquidated inventories	-	32
Establishment of an impairment loss on fixed assets	-	311
VAT not deductible	316	640
Repair	-	162
Write-down of the value of remaining sales	-	73
Depreciation of inventories held for resale	478	-
Other	1 750	2 827
Total	**6 982**	**7 008**

2.5 Financial revenues

Accounting principles

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.

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Financial revenues from interest, including:	741	339
- bank interest	43	254
- interest on receivables	680	10
- other	18	75
Income from release of provision for interest on liabilities	3 158	-
Other financial revenues	270	284
Total	**4 169**	**623**

2.6 Financial costs

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Financial costs on account of interest, including:	20 404	20 342
- interest on loans and borrowings	11 063	11 625
- on liabilities	4 090	4 010
- on bonds	1 494	840
- on leasing	3 647	3 693
- on liability from employee benefits	107	171
- other	3	3
Loss from exchange rate differences	498	3 321
Financial commision paid	6 333	2 827
Factoring related costs	68	44
Other financial costs	645	3 784
Total	**27 948**	**30 318**

2.7 Income tax

Accounting principles

The mandatory charges on the financial result consist of: current corporate income tax (CIT) and deferred tax

Current tax

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.

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 financial statements.

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.

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 and the provisions for deferred income tax if, and only if, it has obtained an enforceable legal title to offset receivables against provisions for current income tax and if the deferred income tax refers to the same tax payer and the same tax authority.

Income tax in profit and loss statement

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Current income tax:	**546**	**1 000**
- current income tax charge	506	1 473
- adjustments related to current income tax from previous years	40	(473)
Deferred tax:	**9 412**	**(10 872)**
- related to increase and decrease in temporary differences	9 412	(10 872)
Total	**9 958**	**(9 872)**

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 1, 2021 and December 31, 2021 was in Lithuania – 15%, in Sweden – 21,4%, in Ukraine – 18%.

Reconciliation of effective tax rate

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Gross profit (loss)	**(1 625)**	**(119 858)**
Income tax at applicable income tax rate of 19%	(309)	(22 773)
Tax effect of the approach:		
Use of tax losses from previous years	(135)	(4 583)
Revaluation of deferred tax assets	5 149	3 224
Effect of varied interest rate within the Group	(407)	720
Effect of change of tax rate in the Group	119	-
Tax revenues not constituting accounting revenues	1 474	168
Tax costs not constituting accounting costs	(4 521)	(4 285)
Non-tax revenues constituting accounting revenues	(1 564)	(3 863)
Non-tax costs constituting accounting costs	10 152	21 520
Income tax expense at the effective tax rate -680% (2020: 8%)	**9 958**	**(9 872)**

Income tax recognised in other comprehensive income

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Actuarial gains (losses)		
Included in the gross amount	129	158
Income tax	(17)	(24)
Included in the net amount	**112**	**134**
Cash flow hedging instruments		
Included in the gross amount	2 096	-
Income tax	(398)	-
Included in the net amount	**1 698**	**-**
Foreign exchange differences on translation of foreign operations		
Included in the gross amount	(6 255)	22 887
Included in the net amount	**(6 255)**	**22 887**

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 6,684 thousand as at 31 December 2021.

Deferred income tax

Professional judgment, estimates and assumptions

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. Trakcja'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. Deferred tax assets are recognised by the Group to the extent that it is probable that taxable profit will be generated which will enable the deductible temporary differences to be offset.

The table below presents the impact of deferred tax asset and provision for deferred tax on profit or loss and equity.

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Deferred tax asset	**132 447**	**135 326**
- through profit or loss	132 417	135 543
- through equity	30	(217)
Provision for deferred tax	**83 440**	**76 717**
- through profit or loss	79 086	72 400
- through equity	4 354	4 317

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 31.12.2021	2022	2023	2024	2025	2026+	Total
Defered tax assets concerning tax loss	4 377	11 211	12 188	8 147	9 727	**45 649**

As at 31.12.2020	2021	2022	2023	2024	2025+	Razem
Defered tax assets concerning tax loss	1 049	5 439	11 255	13 228	8 237	**39 208**

As at December 31, 2021, the Group did not recognise a deferred tax asset on tax loss of PLN 3,858 thousand (December 31, 2020: PLN 2,585 thousand), as it is unlikely that future taxable profit will be available against which the unused losses and unused tax credits can be utilized.

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 31.12.2021	2022	2023	2024	2025	2026+	Total
The amount of not established/written down asset due to tax losses	1 235	175	1 218	1 142	89	**3 858**

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**

Deferred tax assets Title of temporary differences	1.01.2020 Audited	Increase / Decrease	31.12.2020 Audited	Increase / Decrease	31.12.2021 Audited
Provision for bonuses	992	(473)	519	232	751
Provision for the audit	49	1	50	(3)	47
Provision for correction works	2 764	(123)	2 641	(368)	2 273
Provision for losses on contracts	14 949	(6 871)	8 078	(4 108)	3 970
Provisions for retirement and pensions	759	(59)	700	(59)	641
Provision for jubilee awards	231	5	236	(219)	17
Provision for unused leaves	2 118	389	2 507	453	2 960
Valuation allowance for trade receivables	3 198	795	3 993	(9)	3 984
Valuation allowance for other current assets	115	263	378	94	472
Unrealized foreign exchange losses	33	207	240	(7)	233
Accrued interest on liabilities	689	849	1 538	(503)	1 035
Write-down of the value of bonds	-	-	-	21	21
Interest on receivable write-offs	109	-	109	2 252	2 361
Non-tax costs related to ongoing long-term contracts	52 899	(6 092)	46 807	(2 093)	44 714
Surpus of invoiced revenues over actual revenues - valuation of long-term contracts	7 585	9 018	16 603	(171)	16 432
The positive difference between the balance sheet depreciation and the tax depreciation	46	5	51	(1)	50
Tax loss	36 187	3 021	39 208	6 441	45 649
Unpaid wages and unpaid social security contributions	1 104	2 402	3 506	873	4 379
Other	2 061	5 378	7 439	(4 832)	2 607
Foreign exchange differences	(146)	869	723	(872)	(149)
Total before compensation	**125 742**	**9 584**	**135 326**	**(2 879)**	**132 447**
Deferred tax assets with deferred tax reserve compensation	(70 987)	(732)	(71 719)	(2 839)	(74 558)
Total after compensation	**54 755**	**8 852**	**63 607**	**(5 718)**	**57 889**

Deferred tax liability Title of temporary differences	1.01.2020 Audited	Increase / Decrease	31.12.2020 Audited	Increase / Decrease	31.12.2021 Audited
Surplus of actual revenues over invoiced revenues - valuation of long-term contracts	34 277	(7 351)	26 926	3 129	30 055
Non-tax revenue relating to long-term contracts	13 459	2 728	16 187	2 826	19 013
The negative difference between the balance sheet depreciation and the tax depreciation	19 699	672	20 371	1 304	21 675
Unrealized foreign exchange profits	82	(28)	54	(16)	38
Interest accrued on deposits, on financial assets	219	172	391	43	434
The right to perpetual usufruct	611	-	611	(234)	377
Revaluation of fixed assets to fair value	2 057	(185)	1 872	539	2 411
Investment property fair value adjustment	1 976	181	2 157	455	2 612
Other	5 468	1 629	7 097	(86)	7 011
Foreign exchange differences	(134)	1 185	1 051	(1 237)	(186)
Total before compensation	**77 714**	**(997)**	**76 717**	**6 723**	**83 440**
Deferred tax assets with deferred tax reserve compensation	(70 987)	(732)	(71 719)	(2 839)	(74 558)
Total after compensation	**6 727**	**(1 729)**	**4 998**	**3 884**	**8 882**

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.

2.8 Discontinued operations

No operations were discontinued neither in 2021 nor in 2020.

2.9 Earnings (loss) per share

Accounting principles

Earnings per share for each period are calculated by dividing a net profit 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 or loss 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.

To calculate diluted net income per share, the values used to calculate base earnings per share have been adjusted to include:
- the impact of interest expense on bonds after income tax;
- the weighted average number of additional ordinary shares that would occur assuming a change in all diluting potential ordinary shares.

Diluted earnings per share results from the emission of bonds convertible to shares, which was detailed in Note 3.16 hereof.

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Net profit (loss) from continued operations	(11 583)	(109 986)
Net profit (loss) applied to calculate diluted earnings per share	(10 373)	(109 306)
Net profit (loss) from continued operations attributable to shareholders of Parent entity	(11 421)	(109 785)
Net profit attributable to shareholders of Parent entity applied to calculate diluted earnings per share	(10 211)	(109 105)
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	86 450 976
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	102 730 086	97 021 247

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

Profit (loss) per share assigned to shareholders during the period (in PLN per share):

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
- basic	(0,13)	(1,27)
- diluted	(0,10)	(1,13)

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

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
- basic	(0,13)	(1,27)
- diluted	(0,10)	(1,13)

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

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
- basic	(0,13)	(1,27)
- diluted	(0,10)	(1,12)

3. Notes to the balance sheet

3.1 Tangible fixed assets

Accounting principles

Tangible fixed 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. The expected useful life of each asset is determined when the asset concerned is accepted for use. Non-current assets held under finance leases are depreciated according to the method determined by the Group for its own non-current 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 the shorter. Any non-current assets which are not accepted for use directly, because they need to be assembled or adapted 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

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.

External borrowing costs

External borrowing costs attributable to the acquisition, construction or production of a qualifying asset are included in the cost of the asset in accordance with IAS 23. Any other external borrowing costs are recognised when incurred.

Professional judgment, estimates and assumptions

Depreciation rates

Depreciation/amortisation 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.

Fixed assets structure

	31.12.2021 Audited	31.12.2020 Audited
Fixed assets, including:	265 006	285 096
- land (including right of perpetual usufruct)	22 670	26 297
- buildings, premises, civil and water engineering structures	49 115	54 053
- technical equipment and machines	115 334	119 036
- vehicles	70 442	77 216
- other fixed assets	7 445	8 494
Fixed assets under construction	923	161
Total	**265 929**	**285 257**

Movements of fixed assets

Year ended 31.12.2021 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	**80 350**	**119 036**	**77 216**	**8 494**	**161**	**285 257**
Increases - purchase	279	12 088	10 809	1 915	1 117	26 208
Lease increases accounted for in accordance with IFRS 16	3 559	86	-	-	-	3 645
Begining of the consolidation of a subsidiary	-	(711)	(107)	(2)	-	(820)
Full consolidation method for a new Subsidiary	(4 141)	-	-	-	-	(4 141)
Termination of lease agreement without exercising buyout option	-	-	(3 637)	-	-	(3 637)
Sale	-	(484)	(844)	(9)	(5)	(1 342)
Termination of lease agreement without exercising buyout option	(3)	-	(62)	(7)	-	(72)
Depreciation	(8 203)	(14 667)	(10 011)	(2 912)	(3)	(35 796)
Reduction related to the decision not to buy leased cars	-	-	(2 825)	-	-	(2 825)
Other decreases	-	(24)	(49)	(1)	(350)	(424)
Variances due to currency translation	(56)	10	(48)	(33)	3	(124)
Net book value at the end of the year	**71 785**	**115 334**	**70 442**	**7 445**	**923**	**265 929**

As at 31.12.2021 Audited						
(Gross) cost or value from valuation	120 699	290 554	162 733	47 795	1 162	622 943
Depreciation and impairment write-offs	(48 858)	(175 230)	(92 243)	(40 317)	(242)	(356 890)
Variances due to currency translation	(56)	10	(48)	(33)	3	(124)
Net book value	**71 785**	**115 334**	**70 442**	**7 445**	**923**	**265 929**

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
Rental additions accounted for in accordance with IFRS 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)
Termination of lease agreement without exercising buyout option	-	(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**

As at 31.12.2020 Audited						
(Gross) cost or value from valuation	122 286	286 115	173 893	44 052	336	626 682
Depreciation and impairment write-offs	(42 797)	(169 892)	(98 135)	(36 159)	(222)	(347 205)
Variances due to currency translation	861	2 813	1 458	601	47	5 780
Net book value	**80 350**	**119 036**	**77 216**	**8 494**	**161**	**285 257**

Ownership structure of fixed assets

As at 31.12.2020 Audited	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Own	60 176	76 783	30 856	8 494	162	**176 471**
Used on the basis of a rental, lease, or other contract, including leasing	20 173	42 253	46 360	-	-	**108 786**
Total	**80 349**	**119 036**	**77 216**	**8 494**	**162**	**285 257**

As at 31.12.2021 Audited	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Own	57 208	68 363	27 183	7 229	923	**160 906**
Used on the basis of a rental, lease, or other contract, including leasing	14 577	46 971	43 258	217	-	**105 023**
Total	**71 785**	**115 334**	**70 441**	**7 446**	**923**	**265 929**

Movements of fixed assets used under lease agreements

Financial year ended 31.12.2021 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	**20 173**	**42 253**	**46 360**	**-**	**-**	**108 786**
Depreciation	(5 011)	(3 950)	(5 227)	(25)	-	(14 213)
Assets under new leases	3 559	10 823	9 670	240	-	24 292
Other increases/decreases	-	(2 188)	(4 721)	-	-	(6 909)
Full consolidation method for a new Subsidiary	(4 141)	-	-	-	-	(4 141)
Termination of lease agreement without exercising buyout option	-	-	(2 824)	-	-	(2 824)
Variances due to currency translation	(3)	33	-	2	-	32
Net book value at the end of the year	**14 577**	**46 971**	**43 258**	**217**	**-**	**105 023**

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)
Variances due to currency translation	54	523	254	-	-	831
Net book value at the end of the year	**20 173**	**42 253**	**46 360**	**-**	**-**	**108 786**

Under the perpetual usufruct right, the Group holds land classified as Land, buildings and structures with a net value of PLN 21,544 thousand (December 31, 2020: PLN 26,192 thousand).

The Group has off-balance sheet liabilities under signed agreements concerning the acquisition of property, plant and equipment, which have not yet been included in the balance sheet in the amount of PLN 2,800 thousand.

Information on property, plant and equipment pledged as collateral is presented in Note 5.2.

3.2 Intangible assets

Accounting principles

Intangible assets

Intangible assets acquired in separate transactions are recognised in the balance sheet at cost. Intangible assets acquired through the acquisition of a business entity are recognised in the balance sheet at fair value as at the acquisition. Upon their initial recognition, intangible assets are measured at cost less any accumulated amortisation and any impairment losses thereon.

Any expenditure on internally generated intangible assets, except for the capitalised development expenditure, is not capitalised and is recognised in costs in the period in which it is incurred.

Intangible assets with a definite useful life are amortised using the straight-line method over the useful live and tested for impairment whenever there is any indication that they may be impaired. For the intangible assets with a definite useful life the amortisation period and the amortisation method are reviewed at least at the end of each financial year. Any changes in the expected useful life or the expected consumption of economic benefits generated by a given asset are recognised through a change, respectively, in the amortisation period or in the amortisation method and treated as

changes in the estimated values. Amortisation of the intangible assets with a definite useful life is recognised as profit or loss in the item which corresponds to the function of a given intangible asset.
Intangible assets with an indefinite useful life and those that are not in use are annually tested for impairment individually or jointly as cash-generating units.

- Patents and licenses agreement period,
- Development costs 3 years,
- Computer software 2 years.

Research and development
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").
Profits or losses arising from the removal of intangible assets from the balance sheet are measured at the difference between the net sales receipts and the carrying amount of the asset and are recognised in the income statement when they are removed from the balance sheet.

Professional judgment, estimates and assumptions

Amortisation rates
Amortisation 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.

Intangible assets structure

	31.12.2021 Audited	31.12.2020 Modified
Research and development costs	200	436
Acquired concessions, patents, licences and similar items of value, including:	3 018	2 779
- software	2 769	2 512
Intangible assets under construction	809	314
Total	**4 027**	**3 529**

Ownership structure of intangible assets

	31.12.2021 Audited	31.12.2020 Modified
Proprietary	4 027	3 529
Total	**4 027**	**3 529**

Movements of intangible assets

Financial year ended 31.12.2021 Audited	Research and development expenses	Software licences	Other licences, concessions, patents	Intangible assets under construction	Total
Net book value at the beginning of the year	**436**	**2 512**	**267**	**314**	**3 529**
Increases acquisition	-	1 141	94	967	**2 202**
Amortization	(236)	(884)	(112)	-	**(1 232)**
Other decreases	-	-	-	(472)	**(472)**
Net book value at the end of the year	**200**	**2 769**	**249**	**809**	**4 027**
As at 31.12.2021 Audited					
(Gross) cost or value from valuation	9 076	14 559	1 568	809	**26 012**
Amortization and impairment write-offs	(8 876)	(11 790)	(1 319)	-	**(21 985)**
Net book value	**200**	**2 769**	**249**	**809**	**4 027**

Financial year ended 31.12.2020 Modified	Research and development expenses	Software licences	Other licences, concessions, patents	Intangible assets under construction	Total
Net book value at the beginning of the year	**756**	**1 019**	**323**	**559**	**2 657**
Increases acquisition	-	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**	**2 512**	**267**	**314**	**3 529**
As at 31.12.2020 Modified					
(Gross) cost or value from valuation	8 908	13 174	570	314	**22 966**
Amortization and impairment write-offs	(8 472)	(10 708)	(310)	-	**(19 490)**
Variances due to currency translation	-	46	7	-	**53**
Net book value	**436**	**2 512**	**267**	**314**	**3 529**

In 2021 and 2020, 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 5.2.

3.3 Goodwill

Accounting principles

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.

Professional judgment, estimates and assumptions

Allocation of goodwill to cash genereting 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.

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

	31.12.2021 Audited	31.12.2020 Modified
Goodwill at cost	444 551	449 961
Acumulated impairment	(262 962)	(262 962)
Goodwill after all write-offs	**181 589**	**187 269**

	Year ended	
	31.12.2021 Audited	31.12.2020 Modified
Balance at the beginning of the period	**187 269**	**217 715**
Decreases	**-**	**(38 735)**
Impairment charged to P&L during the year	-	(38 735)
Exchange rate differences	**(5 680)**	**8 289**
Balance at the end of the period	**181 589**	**187 269**

Allocation of goodwill to cash-genereting units („CGU") net of impairment losses

For impairment testing purposes as at December 31, 2021, goodwill has been allocated to the following cash genereting units:

As at 31.12.2021 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 sp. z o.o.	Total
Allocated goodwill before recognition of write-downs	58 160	28 374	90 275	4 780	**181 589**

As at 31.12.2020 Modified	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 sp. z o.o.	Total
Allocated goodwill before recognition of write-downs	58 160	28 374	95 955	4 780	**187 269**

Goodwill impairment test

As at 31 December 2021, 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 are the COVID-19 pandemic and military conflict in Ukraine. 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 (-).

Taking into account the number of variables and the uncertainty related to the development of the COVID-19 pandemic as well as the conflict on Ukrainian territory and its consequences, the impairment loss tests may be susceptible to fluctuations that exceed the levels of rational changes in the key assumptions made as at the day of approval of the financial statements.

Basic assumptions used for the goodwill impairment test:

As at 31.12.2021	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	12,0%	12,0%	8,3%	12,0%
WACC after tax	9,7%	9,7%	7,0%	9,7%
EBITDA margin	4,6% - 7,4%	5,1% - 10,9%	4,3% - 5,8%	2,5% - 3,4%
Growth rate in the residual period	2,0%	2,0%	2,0%	2,0%

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 December 31, 2021, no loss of goodwill assigned to the above CGUs (cash-generating unit) was identified during the impairment tests performed.

As at December 31, 2020, the impairment test revealed the loss of goodwill in allocated to CGU companies of the AB Kauno Tiltai group in the amount of PLN 38,735 thousand. The write-off was presented in the consolidated profit and loss account for 2020 in a separate item.

The sensitivity analysis carried out shows, that important factors influencing value in use of cash flow generating centers are profitability of performed construction contracts and the adopted level of a discount rate.

EBITDA = operating profit + depreciation + goodwill write-off

Sensitivity analysis for CGU comprising: Trakcja, Torprojekt and BTW

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	22 437	(22 437)
WACC	+/- 0,25 p.p.	(11 590)	12 323

The Group carried out a sensitivity analysis of the change in EBITDA level +/- 2,5% and the WACC level after tax +/-0,25 PP, as a result of which it was concluded, that a reasonable change in assumptions would not make it necessary to recognize the impairment loss.

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%	2 068	(2 068)
WACC	+/- 0,25 p.p.	(1 295)	1 379

The Group carried out a sensitivity analysis of the change in EBITDA level +/- 2,5% and the WACC level after tax +/-0,25 PP, as a result of which it was concluded, that a change in assumptions resulting in decrease of a recoverable value of CGU of at least PLN 700 thousand, could make it necessary to recognize the impairment loss.

Sensitivity analysis for CGU comprising PRK7 Nieruchomości 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%	756	(756)
WACC	+/- 0,25 p.p.	(759)	808

The Group carried out a sensitivity analysis of the change in EBITDA level +/- 2,5% and the WACC level after tax +/-0,25, as a result of which it was concluded, that a change in assumptions resulting in decrease of a recoverable value of CGU of at least PLN 430 thousand, could make it necessary to recognize the impairment loss.

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

Factor applied	Reasonable possibility of factor change	Impact on the recoverable amount of the cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	16 294	(16 294)
WACC	+/- 0,25 p.p.	(14 806)	16 372

The Group carried out a sensitivity analysis of the change in EBITDA level +/- 2,5% and the WACC level after tax +/-0,25, as a result of which it was concluded, that a change in assumptions resulting in decrease of a recoverable value of CGU of at least PLN 14,530 thousand, could make it necessary to recognize the impairment loss.

As at March 31, 2022, indications were identified that the above mentioned CGUs could have been impaired:

- market interest rates increased significantly during the first quarter of 2022;

- in connection with the start of the conflict on the territory of Ukraine, as at March 31, 2022, the risk specific for countries in Central and Eastern Europe including Poland and Lithuania increased in comparison to December 31, 2021.

The above elements affect the discount rate used to calculate the value in use of the CGU, which may reduce the recoverable amount of the CGU. As at the date of signing these consolidated financial statements, it is not possible to estimate the impact of this impairment. Due to the fact that as at December 31, 2021 for:

- CGU consisting of: PEUiM, Dalba, PDM;

- CGU, which consists of PRK7 Nieruchomości;

- CGU consisting of companies belonging to the AB Group Kauno Tiltai;

the balance sheet value is close to their recoverable value, there is a risk of impairment of the CGU as at the balance sheet date March 31, 2022.

3.4 Investment properties

Accounting principles

The Company'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.

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

The Group's investment properties consist of investments in buildings and land owned in order to generate rental income or due to the expected increase in their value. Initially, investment properties acquired as part of a separate purchase transaction are valued at the purchase price taking into account the transaction costs. In other cases, such as acquisitions as part of an acquisition of another enterprise, they are initially recognised at fair value.

After initial recognition, all investment property is carried at fair value.

The change in the fair value of investment property during the year is shown in the income statement. In the event of a transfer of a Group asset from fixed assets to investment property, the difference between the fair value measurement and the carrying amount of such asset is recognised in the revaluation reserve and any subsequent changes are recognised in the profit and loss statement.

If an entity is able to measure reliably the fair value of the property that it previously measured at cost during the construction of an investment property, it shall measure the property at its fair value. When an entity completes the construction of its own investment property that is recognised at fair value, the difference between the fair value of the property at that date and its previous carrying amount will be recognised in profit or loss.

Professional judgment, estimates and assumptions

Classification to investment property

The Company's Management Board classifies properties into the category of property, plant and equipment or investment properties depending on their intended use by the Company.

The Company recognises investment properties at fair value. Fair value of the Company's investment properties as at December 31, was estimated based on the valuation carried out 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 Company's assets. The Company also verifies the received opinions on fair value by analysing 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. During the year, for the next balance sheet dates, i.e. 31 March, 30 June and 30 September, the Company analyzes the premises regarding the possibility of changing the fair value.

The Company's buildings classified as investment properties are measured applying the cost method or the income 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. The income-based approach consists in the determination of the property's value, assuming that its buyer will pay for it a price that depends on the income expected from the property and that the maximum amount paid by the buyer will not exceed the price for which the buyer could buy any other property with the same rate of return and the same level of risk. In keeping with the Generally Accepted National Measurement Principles, the income-based approach is applied in order to establish the value of properties that generate income or create opportunities for generation of income, assuming that income is the key factor that affects the value of such properties. Any proceeds from leases and other rights to a given property and also any other non-rent proceeds generated from the property constitute the basis for calculating income from the property concerned. Other non-rent proceeds may include, in particular, income from advertising boards, cellular phone antennae, ATMs, car parks, etc. located at the property.

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 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.

Year ended 31.12.2021 Audited	**Land**	**Buildings, premises and engineering facilities**	**Total**
Net book value at the beginning of period	**24 271**	**2 316**	**26 587**
Depreciation	(101)	-	(101)
Revaluation based on an external valuation	3 231	(836)	2 395
Movements from / to fixed assets	4 794	1 495	6 289
Sale of investment properties	(78)	-	(78)
Other decreases	-	(187)	(187)
Net book value at the end of period	**32 117**	**2 789**	**34 905**

Year ended 31.12.2020 Audited	**Land**	**Buildings, premises and engineering facilities**	**Total**
Net book value at the beginning of period	**19 849**	**2 598**	**22 447**
Depreciation	(32)	-	(32)
Revaluation based on an external valuation	1 238	(282)	956
Revaluation in connection with the change of the perpetual usufruct fee for land	3 210	-	3 210
Foreign exchange differences on translation of foreign operations	6	-	6
Net book value at the end of period	**24 271**	**2 316**	**26 587**

The impact of unobservable input data on fair value of property depending on valuation technique

	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
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
Office - buildings	Income approach	Capitalization rate (10,5%)	higher capitalization rate will decrease the fair value of real estate
		Operating expenses - 92 tys. zł	an increase in operating expenses will adversely affect the fair value of the real estate
		Vacancies and rent arrears loss rate (10%)	higher vacancies and rent arrears loss rate will adversely affect the fair value of the 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

Sensitivity analysis demonstrates that the comparable method is sensitive to changes in the prices of similar properties selected for evaluation, while in the case of property valuation using the income method, it is sensitive to the discount rate amount as well as the size of the expected property income flows.

In 2021 the measurement method remained unchanged.

The measurement of investment properties as at December 31, 2021 demonstrated an increase in their value in the amount of PLN 2,395 thousand which was recognised in the other operating costs.

Details of fair value hierarchy as at December 31, 2021 and December 31, 2020:

	31.12.2021 Audited	Level 1	Level 2	Level 3
Investment property:	**34 905**	**-**	**-**	**34 905**
Offices	30 333	-	-	30 333
Land	2 156	-	-	2 156
Deposits of natural aggregates	2 416	-	-	2 416

	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

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.

Reconciliation of the opening and closing balance of goodwill

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
As at the beginning of the period (Level 3)	**26 587**	**22 447**
Movements from/to fixed assets	6 289	-
Increases due to changes in perpetual usufruct fees for land	-	3 210
Sale	(78)	-
Gains (losses) recognized in profit and loss account	2 395	956
Depreciation	(101)	-
Exchange rate differences	-	6
-other	(186)	(32)
As at the end of the period (Level 3)	**34 905**	**26 587**
Unrealised profits (losses) in the period recognised in P&L (as other operating costs or revenues)	2 395	956

Revenues and expenses concerning investment properties

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Rental income from investment property	535	287
Direct operating costs from investment property that during the period generated rental income	(154)	(109)
Direct operating costs from investment property that during the period did not generate rental income	(77)	(76)

Information on collateral provided on investment properties is presented in Note 5.2.

3.5 Jointly controlled activity – contracts under consortium agreements

Accounting principles

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.

Professional judgment, estimates and assumptions

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.

Revenues and expenses attributable to consortium participants not recognized in the Group's profit and loss statement

	Year ended	
	31.12.2021	31.12.2020
	Audited	Audited
Sales revenue	236 017	99 867
Cost of goods sold	(234 924)	(99 105)
Gross profit on sales	**1 093**	**762**

In balance sheet as at December 31, 2021, the Group did not recognize trade receivables attributable to consortium participants in the amount of PLN 25,885 thousand (31.12.2020: PLN 17,554 thousand) as well as trade liabilities attributable to consortium participants in the amount of PLN 26,321 thousand (31.12.2020: PLN 17,591 thousand).

3.6 Other financial assets

Accounting principles

Loans granted recognised in financial assets are granted to other entities in the Trakcja Group. The Company assesses the credit risk of these entities on the basis of their financial position and possible arrears in interest or principal payments. A significant increase in credit risk and, as a consequence, the transfer of receivables to Stage 2 occurs in the case of:

- the occurrence of a backlog of at least 30 days, exceeding 1% of the exposure balance,
- amend the terms of the contract with regard to its extension, where such an extension is not offset by an appropriate change in the interest rate reflecting the extended duration of the loan or where the terms of the extension contain a preference not normally available,
- deterioration of the borrower's financial situation, where this deterioration is analyzed individually on the basis of financial information sent by borrowers.

With regard to loans granted, the Company assumes that failure to meet the terms of the contract (default) occurs in the event of arrears of at least 90 days in terms of interest or capital of the loan granted.

	31.12.2021 Audited	31.12.2020 Modified
Financial assets valued at amortised cost	**45 129**	**11 092**
Guarantees deposits	43 310	9 031
Loans granted and receivables	-	242
Other bank deposits	1 792	1 792
Investments in other units	27	27
Total	**45 129**	**11 092**
including:		
- recognised as non-current assets	8 466	6 452
- recognised as current assets	36 663	4 640

3.7 Prepayments and accruals

Accounting principles

Prepayments include in particular:

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

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").

Prepayments structure

	31.12.2021 Audited	31.12.2020 Audited
Insurance and insurance guarantees	16 927	15 019
Repairs	1 377	851
Repair and maintenance of wagons, locomotives	3 306	4 417
Other prepayments and accruals	1 484	1 322
Total	**23 094**	**21 609**

Age structure of prepayments

	31.12.2021 Audited	31.12.2020 Audited
Long-term	7 941	8 514
Short-term	15 153	13 095
Total	**23 094**	**21 609**

Deferred income structure

	31.12.2021 Audited	31.12.2020 Audited
Received prepayments for future benefits	2 542	1 769
Settlement of deferred income	1 148	5 996
Total	**3 690**	**7 765**

Age structure of deferred income

	31.12.2021 Audited	31.12.2020 Audited
Long-term	50	1 792
Short-term	3 639	5 973
Total	**3 689**	**7 765**

3.8 Inventories

Accounting principles

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 process,
- 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 entity, 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.

Professional judgment, estimates and assumptions

Inventories impairment
The Management Board assesses whether there are indications of the possibility of impairment of inventories. 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.

Inventories structure

	31.12.2021 Audited	31.12.2020 Audited
Materials	81 214	81 110
Semi-finished goods and products in progress	5 652	19 895
Finished goods	10 310	985
Merchandise	13 513	13 940
Total, gross inventory	**110 689**	**115 930**
Inventory revaluation write-offs	**(3 417)**	**(2 785)**
Materials	77 845	78 372
Semi-finished goods and products in progress	5 652	19 895
Finished goods	10 283	958
Merchandise	13 492	13 920
Total, net inventory	**107 272**	**113 145**

Costs of inventories recognised in operating expenses of the current period amounted to PLN 340,046 thousand (PLN 383,606 thousand in 2020).

Change in impairment losses on inventories

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Balance at the beginning of the period	**2 785**	**929**
Increases	**815**	**1 854**
Establishment	815	1 854
Decreases	**(180)**	**(100)**
Use	(80)	-
Dissolution	(100)	(100)
Exchange rate differences	**(3)**	**102**
Balance at the end of the period	**3 417**	**2 785**

The recognition and reversal of impairment losses on inventories were included in "Cost of sales" in the consolidated income statement.

Inventories have been pledged as collateral, as described in Note 5.2.

3.9 Trade and other receivables

Accounting principles

The Group recognises a receivable if its right to remuneration is unconditional, i.e. if the only condition for the remuneration to be due is the expiry of a certain period of time.
Short-term trade receivables and other receivables are measured at amortised cost using the effective interest rate at the initial recognition and are reduced by any impairment losses.
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.
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 Company.
Due to the short-term nature of trade receivables, their carrying amount approximates their fair value.

Professional judgment, estimates and assumptions

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.
In accordance with IFRS 9, the Group recognises an allowance for expected credit losses on trade receivables and other receivables. In the field of trade receivables, the Group uses a simplified approach for receivables considered in groups - for these types of receivables, an allowance for lifetime credit losses is calculated, regardless of the analysis of changes in credit risk. The Group excludes receivables from PKP PLK S.A. from the group analysis due to the probability of default equal to zero and applies an individual approach to these receivables.
In the calculation of the expected credit loss, the Group applies a practical simplification in accordance with IFRS 9 – expected lifetime credit losses related to trade receivables are assessed through the prism of the "aging table of overdue receivables". Requirements:

- is based on historical experience,
- fix a fixed % of write-offs,
- the tables are different for groups of customers with different historical experiences.

For three 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.
The Group's parent Group excludes receivables from PKP PLK S.A. from the group analysis due to the probability of default equal to zero and applies an individual approach to these receivables.
Creation and reversal of write-downs of the value of trade receivables and other receivables is presented in the cost of sale.

Trade and other receivables structure

	31.12.2021 Audited	31.12.2020 Audited
Gross trade receivables, before discounting	**335 435**	**341 650**
Total, gross trade receivables	**335 435**	**341 650**
including:		
- receivables from related entities	*95*	*95*
Budgetary receivables	3 804	1 652
Receivables claimed in court	25 722	9 843
Receivables from sale of property	-	53 000
Other receivables from third parties	32 560	33 058
Amounts held	55 736	72 329
Advances paid	2 455	6 281
Total, gross trade and other receivables	**455 712**	**517 813**
Expected credit loss	(124 316)	(97 712)
Total	**331 396**	**420 101**

Receivables from related parties are disclosed in Note 5.4.

Net trade receivables and retentions

	31.12.2021 Audited	31.12.2020 Audited
Net trade receivables		
With maturity within 12 months	303 550	365 191
With maturity over 12 months	7 825	31 510
Total, net trade receivables after discounting	**311 375**	**396 701**

Total retentions maturity structure

	31.12.2021 Audited	31.12.2020 Audited
Up to 12 months	53 394	48 909
Over 12 months	2 342	23 420
Total	**55 736**	**72 329**

The Company have 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 Company. As at December 31, 2019, receivables from PKP PLK S.A. account for 43% of the total receivables of Trakcja Group. (31.12.2020: 43%), 9% from GDDKiA (31.12.2020: 5%) and 9% from the Lithuanian Road Administration (31.12.2020: 8%).

Change in expected credit loss on trade and other receivables

	Year ended	
	31.12.2021 Audited	**31.12.2020 Audited**
As at start of period	**97 712**	**76 595**
Increases	**34 680**	**24 956**
Establishment	34 680	24 956
Decreases	**(8 067)**	**(4 010)**
Use	(894)	(1 627)
Dissolution	(7 173)	(2 383)
Variances due to currency translation	**(9)**	**171**
As at end of period	**124 316**	**97 712**

During 2021 the Parent Company created write-down of receivables due to deliveries and services and other receivables in the amount of PLN 34,680 thousand (the amount of PLN 6,635 thousand was included in contract budget as a reduction in revenues, the amount of PLN 6,731 thousand related to the creation of write-off of debit notes issued by the Parent Company to customers and subcontractors during the same accounting period, and thus did not affect the financial result of the period). The amount of the created write-down of receivables due to deliveries and services and other receivables that affected the gross result from sales in 2021 is PLN 21,314 thousand.

Net trade receivables and retentions by maturity

	31.12.2021 Audited	**31.12.2020 Audited**
Up to 1 month	164 758	168 528
From 1 month to 3 months	65 454	27 840
From 3 months to 6 months	5 634	23 017
From 6 months to 1 year	7 158	13 607
More than 1 year	8 355	29 054
Overdue receivables	60 364	134 655
Total, net trade receivables	**311 723**	**396 701**

Overdue receivables and retentions structure

	31.12.2021 Audited	**31.12.2020 Audited**
Up to 1 month	11 166	75 044
From 1 month to 3 months	3 018	22 816
From 3 months to 6 months	8 372	5 335
From 6 months to 1 year	22 892	5 831
More than 1 year	94 712	95 908
Total, gross overdue trade receivables	**140 160**	**204 934**
Receivables revaluation write-offs oraz expected credit loss	(79 796)	(70 279)
Total, net overdue trade receivables	**60 364**	**134 655**

Currency structure of gross trade and other receivables

	31.12.2021 Audited	31.12.2020 Audited
In PLN	343 711	425 304
In foreign currencies - after conversion into PLN, including:	112 001	92 509
in EUR	102 111	84 314
in SEK	9 890	5 347
in UAH	-	2 848
Total	**455 712**	**517 813**

Receivables claimed in court

	31.12.2021 Audited	31.12.2020 Audited
Receivables claimed in court	25 722	9 843
Receivables revaluation write-offs oraz expected credit loss	(24 115)	(7 079)
Total	**1 607**	**2 764**

3.10 Cash and cash equivalents

Accounting principles

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.
Cash in the bank is remunerated at variable interest rates, the amount of which depends on the interest rate on one-day bank deposits.
Short-term deposits are made for different periods, from one day to one month, depending on the Group's current cash needs and are remunerated at negotiated interest rates.
The Group shows cash accumulated on trust accounts and accounts blocked in development companies in the consolidated balance sheet as part of cash and cash equivalents, while for the purposes of the consolidated cash flow statement, in the cash at the beginning and at end of the period, reduced by the above-mentioned cash, and their balance sheet change is recognised as operating cash flows.

Cash and cash equivalents disclosed in the consolidated balance sheet and in the consolidated statement of cash flows

	31.12.2021 Audited	31.12.2020 Audited
Cash in hand	70	44
Cash at bank	111 159	133 394
Other cash - deposits	15 717	2 740
Total cash and cash equivalents	**126 946**	**136 178**
Cash and cash equivalents excluded from cash flow statement	-	(272)
Cash and cash equivalents presented in cash flow statement	**126 946**	**135 906**
- with limited access	8 344	-

Restricted cash in the amount of PLN 8,344 thousand constitute funds of the Parent Company in bank accounts:

- resulting from the collateral of the advance repayment guarantee in the amount of PLN 7,505 thousand;

- representing funds on the cession of loan accounts in the amount of PLN 839 thousand.

As at December 31, 2021, the Trakcja Group does not have cash excluded from the cash flow statement. Cash excluded from cash flow statement as at December 31, 2020 relate to blocked funds on accounts of property development projects in the amount of PLN 272 thousand.

Cash on bank accounts – rating valuation of long-term deposits

	31.12.2021 Audited	31.12.2020 Audited
Bank with AA- rating	-	2 368
Bank with A+ rating	2 607	68
Bank with A rating	9	3
Bank with A- rating	5 239	14 677
Bank with BBB+ rating	89 641	99 400
Bank with BBB rating	8	24
Bank with BBB- rating	29 319	19 887
Bank without rating	19	20
Total	**126 842**	**136 447**
Cash in hand	70	44
Balance (note 5.8)	34	(313)
Cash at the end of the period	**126 946**	**136 178**

The rating was based on reputable rating agencies (first based on Fitch Ratings and then, in the absence of Fitch Ratings, S&P ratings were used).

Currency structure of cash and cash equivalents

	31.12.2021 Audited	31.12.2020 Audited
In PLN	31 291	22 306
In foreign currencies - after conversion into PLN, including:	95 655	113 872
in EUR	90 425	99 189
in SEK	5 230	14 667
in UAH	-	16
Total	**126 946**	**136 178**

3.11 Settlements under contracts with customers

Accounting principles

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:

- any goods or services (or any bundle of goods or services) that are 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.

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

- 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
- 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:

- 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
- 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.

Contract assets

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.

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.

Professional judgment, estimates and assumptions

Grupa wycenia długoterminowe kontrakty budowlane stosując metodę opartą na nakładach, zgodnie z którą ujmuje przychody w oparciu o poniesione koszty w stosunku do całkowitych oczekiwanych nakładów koniecznych do wypełnienia zobowiązania do wykonania świadczenia. Budżety poszczególnych kontraktów podlegają formalnemu procesowi aktualizacji w oparciu o bieżące informacje, nie częściej jednak niż raz na kwartał. Jeśli poniesiony koszt nie jest proporcjonalny do stopnia spełnienia zobowiązania do wykonania świadczenia, aby lepiej odzwierciedlić stopień spełnienia zobowiązania, Grupa dostosowuje metodę opartą na nakładach w taki sposób, aby ująć wyłącznie te przychody, które odpowiadają poniesionym kosztom.

Jeżeli Grupa nie jest w stanie dokonać racjonalnego pomiaru wyników spełnienia zobowiązania do wykonania świadczenia, wówczas przychody uzyskiwane z tytułu tego kontraktu są ujmowane tylko do wysokości poniesionych kosztów, które Grupa spodziewa się odzyskać.

	31.12.2021 Audited	31.12.2020 Audited
Contracts with customers assets	**197 434**	**203 273**
Surplus of revenues resulting from degree of advancement over invoiced revenues	184 297	174 682
Advances paid towards contracts being performed	13 137	28 591
Contracts with customers liabilities	**181 296**	**200 551**
Surplus of invoiced revenues over revenues resulting from degree of advancement	95 181	100 675
Advances received towards contracts being performed	86 115	99 876

Change of contracts with customers assets / liabilities

	31.12.2020 Audited	Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	Revenues recognized in the period included in balance of liabilities as at 31/12/2020	Invoicing	Exchange differences	31.12.2021 Audited
Contracts with customers assets	203 273	104 940	(476)	(109 815)	(488)	197 434
Contracts with customers liabilities	200 551	133 575	(143 867)	(8 660)	(303)	181 296

	31.12.2019 Audited	Change in the valuation of contracts / Implementation of new performance obligations without issuing an invoice	Revenues recognized in the period included in balance of liabilities as at 31/12/2020	Invoicing	Exchange differences	31.12.2020 Audited
Contracts with customers assets	211 032	140 875	-	(149 795)	1 161	203 273
Contracts with customers liabilities	154 250	143 063	(96 663)	(4 647)	4 548	200 551

Change of advances paid towards contracts being performed

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Balance at the beginning of the period	**28 591**	**13 832**
Increases: payment of advances	30 438	52 447
Decreases: settlement of advances	(45 657)	(38 873)
Exchange differences	(235)	1 185
Balance at the end of the period	**13 137**	**28 591**

Changes of advances received towards contracts being performed

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Balance at the beginning of the period	**99 876**	**112 963**
Increases: receive of advances	141 688	75 763
Decreases: settlement of advances	(155 439)	(91 286)
Exchange differences	(10)	2 436
Balance at the end of the period	**86 115**	**99 876**

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):

31.12.2021 Audited	1 year	1-3 years	Over 3 years	Total
The transaction price attributed to the obligations to perform service that will be met within:	1 342 818	830 286	-	**2 173 104**

31.12.2020 Audited	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**

Contract costs recognised as an asset

Nie zidentyfikowano pozycji spełniających definicję kosztów umowy ujmowanych jako składnik aktywów, w związku z czym, żadne specyficzne ujawnienia nie są wymagane.

3.12 Assets and liabilities held for sale

Accounting principles

The Group classifies non-current assets as held for sale if their carrying amount is to be recovered through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets held for sale available for immediate sale in their present condition (subject to the conditions customarily applied to the sale of such assets), their sale is highly probable, and their buyer is actively searched for by the management.
Assets held for sale are presented as a separate line item in the balance sheet.

Property on Oliwska Street in Warsaw

On November 30, 2018, the Extraordinary General Meeting of Trakcja S.A. adopted a resolution to dispose of a real estate and perpetual usufruct of a real estate on Oliwska 11 Street in Warsaw for a net price not lower than PLN 14,000 thousand. Detailed information is provided in current report No 20/2018 and No 23/218. As at September 30, 2021, the aforementioned property in the amount of PLN 5,037 thousand was classified as assets held for sale.

On October 12, 2021, the contract of sale was signed by Trakcja, on the basis of which real property and perpetual usufruct on Oliwska 11 Street in Warsaw were sold to Dantex sp. z o.o. sp. k. for the price of PLN 25,000 thousand net. The profit from the above sale recognized in the consolidated profit and loss account amounted to PLN 24,181 thousand. Detailed information is provided in current report No 43/2021.

Sale of shares in Trakcja Ukraina sp. z o.o.

On December 30, 2021, a decision was taken by the Management Board of PDM S.A. to dispose of all shares in Trakcja Ukraina sp. z o.o. subsidiary with its registered office in Kiev, in which PDM S.A. holds 100% shares. Therefore, the Group reclassified fixed assets in the amount of PLN 1,260 thousand as assets held for sale (segment: other) and liabilities in the amount of PLN 13 thousand as liabilities held for sale. The Group is currently looking for a buyer. The Management Board expects the sale of the shares to take place within 12 months of the date of the decision. In 2021, Trakcja Ukraina sp. z o.o. did not perform operating activities and its net assets as at December 31, 2021 were negative.

Changes during financial year

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
As at the beginning of the period	**5 037**	**5 037**
Allocation of shares in Trakcja Ukraina Sp. z o.o. for sale	1 260	-
Sale of real estate at Oliwska 11 street in Warsaw	(5 037)	-
As at the end of the period	**1 260**	**5 037**

Assets and liabilities held for sale of Trakcja Ukraina sp. z o.o.:

ASSETS	31.12.2021
Non-current assets	**828**
Tangible non-current assets	820
Intangible assets	8
Current assets	**432**
Inventory	6
Trade and other receivables	425
TOTAL ASSETS	**1 260**

EQUITY AND LIABILITIES	
Short-term liabilities	**13**
Trade and other liabilities	13
Total equity and liabilities	**13**

In connection with the agreement concluded on June 23, 2021 by Trakcja with KPMG Advisory spółka z ograniczoną odpowiedzialnością sp.k., for advice in the framework of the strategic option review process, the Management Board is in the process of analyzing the assets and activities of the Issuer held by the Parent Company in view of the disinvestment possibilities concerning the potential sale of stocks or shares in subsidiaries. The Group does not at this stage include stocks or shares in subsidiaries to assets held for sale other than shares in Trakcja Ukraina sp. z o.o.

3.13 Equity

Accounting principles

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

Share capital

Share capital is recognised in its nominal value, as specified in the 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 Company's equity.

Share premium account

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

The revaluation reserve mainly includes revaluation effects as a result of a change in the allocation of fixed assets.

Other capital reserves

Other capital reserve includes:

- Actuarial gains (losses),
- equity component concerning bonds.

Retained earnings

Retained earnings include:

- the current financial resultof the Company for a given financial year;
- results from previous years - capital arose from profits generated in previous financial years. The company is obliged to create a reserve capital, which is funded by at least 8% of the profit for a given financial year, until this capital reaches at least one third of the share capital. The reserve capital thus created shall not be distributed.

Share capital

As at December 31, 2021, the share capital of the Company, according to the entry in the National Court Register, was:

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

On October 27, 2021, in connection with receipt of requests from the Company's shareholders - ARP and COMSA submitted pursuant to Article 334(2) of the Code of Commercial Partnerships and Companies, the Management Board adopted a resolution to convert the part of the series C registered shares into bearer shares in the total number of 12,335,891, which consisted of 92 939 series C registered shares held by ARP and 12 242 952 series C registered shares held by COMSA. As at December 13, 2021 these shares were introduced to public trading on the main market by the Management Board of the Warsaw Stock Exchange S.A. by resolution No 1226/2021 of December 7, 2021.

The nominal value of the share is PLN 0.80. Each share constitutes one vote at the Issuer's General Meeting. All shares are fully paid-up.

	31.12.2021 Audited	31.12.2020 Audited
	par value of PLN 0.80 per share	par value of PLN 0.80 per share
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**

To the knowledge of the Issuer's Management Board, on the basis of the notifications received as set out in Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, the structure of the shareholders owning directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company ("GM") as at the date of approval of these financial statements for publication is as follows:

Shareholders	Number of shares	% in share capita	Number of votes	% in votes at GSM
COMSA S.A.	28 399 145	32,85%	28 399 145	32,85%
Agencja Rozwoju Przemysłu S.A.[1]	16 117 647	18,64%	16 117 647	18,64%
Other	33 601 490	38,87%	33 601 490	38,87%
Total	**86 450 976**	**100,00%**	**86 450 976**	**100,00%**

[1] According to the information provided by ARP (about which the Parent Company informed in the current report 11/2021 and in the consolidated report for the first half of 2021), PKP PLK exceeded 15% of the total number of votes in the Company by addition of the votes held by the ARP as a result of agreement concluded by ARP and PKP PLK, referred to in Article 87(1)(5) of the Act on Public Offering.

On 27 September 2021, the Parent Company received a notification from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of the shareholder - Otwarty Fundusz Emerytalny PZU „Złota Jesień" ("OFE PZU") about the reduction of share by OFE PZU to less than 5% in the total number of votes at the General Meeting of Shareholders, i.e. from 8,332,694 shares giving 9,64% share in the Company's share capital to 4,234,764 shares, i.e. 4,90% share in the Company's share capital.

A preliminary share sale agreement and a conditional bond sale agreement concluded by ARP and COMSA

On November 19, 2021, the shareholders of the Parent Company: ARP and COMSA concluded a preliminary share sale agreement and a conditional sale agreement for bonds issued by the Parent Company. Under the agreement, ARP undertook to acquire all the shares held by COMSA in the share capital of the Parent Company in a given moment as well as bonds issued by the Parent Company; COMSA undertook to sell them under the terms specified in the agreement, while making the transaction subject to the fulfillment of a number of suspending conditions set in the agreement. The agreement was concluded on the assumption that shareholders of the Parent Company will adopt a resolution on the increase in the share capital of the Parent Company by issuing 250,000,000 of the E-series new ordinary shares worth PLN 0.80 each. Detailed information is provided in current report No 46/2021.

On December 30, 2021, and thereafter on February 1, 2022, the Parent Company informed that ARP and COMSA pursuant to the concluded annexes had extended until January 31, 2022 and then until April 30, 2022, expiry date of the preliminary agreement for the sale of shares and the conditional agreement for the sale of bonds issued by the Parent Company in the event that the General Meeting of the Parent Company does not adopt a resolution concerning the increase in the share capital of the Parent Company by issuing 250,000,000 new ordinary E-series shares with a value of PLN 0,80 each.

From the date of submitting the last interim report, i.e. from November 24, 2021, until the date of publication of these financial statements, the Parent Company did not receive any notification under Article 69 of the Act on Public Offering.

Events leading to an increase in capital in the Parent Company

In note 1.8, in points 1-17 concerning acquisition of capital financing were presented events leading to increase in capital in the Parent Company. On April 8, 2022, the Parent Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for May 6, 2022, in order to "take a resolution on the increase in share capital of the Parent Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute." Detailed information is provided in current report No 19/2022.

Bonds convertible to shares

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, a conditional increase in the Parent Company's share capital was entered into the commercial register. In connection with the foregoing, the Parent 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 series D ordinary bearer shares with a nominal value of PLN 0.80 each. Series D shares may be subscribed by holders of convertible Series F and G bonds, which the Parent Company issued on May 8, 2020. Detailed information has been provided in note 3.16 hereto.

Other capital reserves

Other capital reserves distinguish actuarial gains (losses).

Foreign exchange differences from conversion of foreign currencies

For subsidiaries having a functional currency other than Polish zloty (PLN) the Parent Company converts their financial statements into the currency of presentation (PLN). The foreign currency differences arising from such a translation are recognised directly in equity as a separate item. Exchange differences arising from translation as at the end of 2021 amounted to PLN 28,932 thousand.

Retained earnings

Retained earnings include the Group's current financial result for the financial year and the results from previous years. The dividend may be paid on the basis of the financial result determined in the Parent Company's separate financial statements prepared for statutory purposes.

Other comprehensive income by component of equity

	Equity attributable to shareholders of parent entity					
	Other capital reserves	Retained earnings	Foreign exchange differences on translation of foreign operations	Total	Non-controlling interest	Total equity
As at 31.12.2021						
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:	**109**	**1 607**	**-**	**1 716**	**94**	**1 810**
Gains on revaluation charged to other reserves	-	1 607	-	1 607	91	1 698
Actuarial gains/(losses)	109	-	-	109	3	112
Other comprehensive income, which will be reclassified to profit or loss:	**-**	**-**	**(6 249)**	**(6 249)**	**(6)**	**(6 255)**
Foreign exchange differences on translation of foreign operations	-	-	(6 249)	(6 249)	(6)	(6 255)
Other comprehensive net income	**109**	**1 607**	**(6 249)**	**(4 533)**	**88**	**(4 445)**

	Equity attributable to shareholders of parent entity					
	Other capital reserves	Retained earnings	Foreign exchange differences on translation of foreign operations	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**

Non-controlling shares

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

After analysis, the Management Board of the Parent Company decided that the amounts of equity attributable to non-controlling shares are intangible and therefore, in accordance with IFRS 12, these financial statements do not provide detailed information on the non-controlling shares.

3.14 Dividends paid and declared

In 2021, a dividend was not paid by the Parent Company.

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

3.15 Interest-bearing loans and borrowings

Accounting principles

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 and debt securities 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.

Long-term interest-bearing loans and borrowings

	31.12.2021 Audited	31.12.2020 Audited
Bank loans	155 935	185 704
- working capital loans	140 524	167 841
- overdraft facility	15 411	17 863
Loans from other entities	7 434	13 470
- loans from third parties	7 434	13 470
Loans from related entities	78 015	20 959
Lease liabilities	60 370	61 019
Total	**301 754**	**281 152**

Short-term interest-bearing loans and borrowings

	31.12.2021 Audited	31.12.2020 Audited
Bank loans	52 415	46 399
- investment loans	-	3 793
- working capital loans	49 404	38 087
- overdraft facility	3 011	4 519
Loans from other entities	3 554	3 105
- investment loans	-	246
- loans from third parties	3 554	2 859
Loans from related entities	9 032	6 933
Lease liabilities	27 333	29 694
Total	**92 334**	**86 131**
Total short and long term loan and credits	**394 088**	**367 283**

Change in interest-bearing loans and borrowings in 2021

As at 01.01.2021	**276 570**
Audited	
Receipt of credits and loans	113 776
Repayment of credits and loans	(81 976)
Loan set-off against receivable	
Redemption of subsidies received from the Polish Development Fund	(2 217)
Accrued interest	11 063
Interest paid	(10 687)
Foreign exchanges	(144)
As at 31.12.2021	**306 385**
Audited	
including	
- long-term	241 384
- short-term	65 001

Group's loans and borrowings currency structure

	31.12.2021 Audited	31.12.2020 Audited
In PLN	369 500	345 265
In foreign currencies - after conversion into PLN, including:	24 588	22 018
in EUR	24 588	22 018
Total	**394 088**	**367 283**

Long-term and short-term liabilities on account of loans and borrowings as at 31 December 2021:

Company	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja S.A.	COMSA S.A.U.	loan from related undertaking	2 674	EUR	01.02.2024	WIBOR 1M + margin	82
Trakcja S.A.	COMSA S.A.U.	loan from related undertaking	5 000	EUR	01.02.2024	WIBOR 1M + margin	159
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	27 600	PLN	31.12.2023	WIBOR 1M + margin	25 518
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	52 746	PLN	31.12.2023	WIBOR 1M + margin	52 883
Trakcja S.A.	Agencja Rozwoju Przemysłu S.A.	loan from related undertaking	9 091	PLN	31.12.2023	WIBOR 1M + margin	8 405
Trakcja S.A.	mBank S.A., Bank Gospodarstwa Krajowego	working capital credit	43 892	PLN	31.12.2023	WIBOR 1M + margin	40 580
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	92 600	PLN	31.12.2023	WIBOR 1M + margin	85 612
Trakcja S.A.	mBank S.A.	working capital credit	15 000	PLN	31.12.2023	WIBOR 1M + margin	14 222
Trakcja S.A.	mBank S.A.	working capital credit	15 000	PLN	31.12.2023	WIBOR 1M + margin	14 222
Trakcja S.A.	mBank S.A.	overdraft facility	20 000	PLN	31.12.2023	WIBOR O/N + margin	-
Trakcja S.A.	Pekao S.A.	overdraft facility	20 000	PLN	31.12.2023	WIBOR 1M + margin	18 423
Trakcja S.A.	mBank S.A., Credit Agricole Bank Polska S.A.	working capital credit	21 500	PLN	31.12.2023	WIBOR 1M + margin	19 878
Torprojekt sp.z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	1 051	PLN	26.06.2023	nieoprocentowana	197
PRK 7 Nieruchomości sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	4 000	PLN	31.12.2023	WIBOR 1M + margin	3 689
BTW sp. z o.o.	mLeasing	loan from other entities	16 397	PLN	15.03.2025	WIBOR 1M + margin	10 061
BTW sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	2 000	PLN	31.12.2023	WIBOR 1M + margin	1 844
BTW sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	1 412	PLN	31.05.2023	nieoprocentowana	326
Dalba sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	1 000	PLN	31.12.2023	WIBOR 1M + margin	922
Dalba sp. z o.o.	Polski Fundusz Rozwoju S.A.	loan from other entities	814	PLN	31.05.2023	nieoprocentowana	271
PDM S.A.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	working capital credit	2 500	PLN	31.12.2023	WIBOR 1M + margin	2 305

PEUiM sp. z o.o.	mBank S.A., Credit Agricole Bank Polska S.A., Bank Gospodarstwa Krajowego	overdraft facility	3 000	PLN	31.12.2023	WIBOR 1M + margin	-
PEUiM sp. z o.o.	Idea Getin Leasing	loan from other entities	244	PLN	16.06.2024	WIBOR 1M + margin	132
AB Kauno tiltai	Luminor Bank AB	working capital credit	4 000	EUR	31.05.2023	EURIBOR 3M + margin	6 654
AB Kauno tiltai	Luminor Bank AB	overdraft facility	12 000	EUR	31.12.2027	EURIBOR 1M + margin	-
						TOTAL	**306 385**

As at the balance sheet date, the Group had unused credit lines (overdrafts and trading credits) amounting to PLN 77,0 million (31.12.2020: PLN 84,7 million), which guarantees the Trakcja Group companies continuity of financing of current activities.

Non-payment of a loan or breach of a loan agreement for which no remedial action has been taken

As at December 31, 2021, the Group had no outstanding credits or loans. Also, the Group was not in breach of any material provisions of credit or loan agreement for which no remedial action has been taken by the end of the reporting period.

In connection with the signing on June 17, 2021 of a number of annexes to the agreements referred to in the current report No 20/2021 Trakcja is obliged to observe the financial indicators (hereinafter referred to as "Covenants") related to the current financial situation of the Company and the Group. The agreement specified that the first verification of whether the Parent Company and the Group fulfilled the Covenants would take place on December 31, 2021, further verifications to occur on a quarterly basis (the Parent Company) and on yearly basis (the Group) until September 30, 2023. On the basis of the annexes to the above mentioned agreements concluded on December 20, 2021, about which the Parent Company informed in the current report No 53/2021, the date of the first verification of the fulfillment of the Covenants was postponed until June 30, 2022.

Credit agreements entered into

1. on June 17, 2021, the Parent Company signed long-term financing documents included in the following annexes:
   a. annex introducing a revised and consolidated credit agreement (concluded between the Parent Company and BTW sp. z o.o., PRK 7 Nieruchomości sp. z o.o., PDM S.A., DALBA sp. z o.o., as borrowers and guarantors, and Torproject sp. z o.o., PEUIM sp. z o.o., Trakcja Ukraina sp. z o.o., as guarantors (altogether "Related Entities") and mBank S.A., Credit Agricole Bank Polska S.A. and BGK, as creditors and ARP as lender, on the basis of which new credit, new loan and new amended guarantee line were granted to the Parent Company (the "Consolidated Credit Agreement");
   b. annex introducing amendments to the agreement between creditors of June 13, 2019 (concluded between the Parent Company, the Related Entities, COMSA and its creditors, i.e.: BGK, ARP, mBank S.A., Credit Agricole Bank Polska S.A., Bank PKO S.A., AXA Ubezpieczenia Towarzystwo Ubezpieczeń I Reasekuracji S.A. (now UNIQA Towarzystwo Ubezpieczeń S.A.), Credendo — Exccess & Surety Society Anonyme, Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Generali Towarzystwo Ubezpieczeń S.A. oraz COMSA, PZU S.A., UNIQA Towarzystwo Ubezpieczeń S.A. (altogether "Creditors")), on the basis of which the conditions for cooperation between Creditors have been harmonized, moreover a hierarchy of receivables due from the Parent Company and Related Entities to Creditors and the safeguards established for Creditors by the Parent Company and its Related Entities (the "Intercreditor Agreement") has been established;

c. an annex amending the agreement on common terms and conditions (concluded between the Parent Company, the Related Entities, mBank S.A., Credit Agricole Bank Polska S.A., Bank PKO S.A., BGK and ARP) under which the conditions for granting financing to the Parent Company and to its Related Entities by the bank creditors and ARP (the "Common Conditions Agreement") have been harmonized;

d. an annex introducing amendments to the agreement on the harmonization of selected terms of guarantee agreements and surety agreement of June 13, 2019 (concluded between the Parent Company, the Related Entities and AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A.) (now UNIQA Towarzystwo Ubezpieczeń Społecznych S.A.), Credendo – Excess & Surety Societe Anonyme, acting in Poland via Credendo – Excess & Surety Spółka Akcyjna Oddział w Polsce, Generali Towarzystwo Ubezpieczeń S.A., Korporacja Ubezpieczeń Kredytów Eksportowych S.A., Sopockim Towarzystwem Ubezpieczeń Ergo Hestia S.A., PZU S.A. and UNIQA Towarzystwo Ubezpieczeń S.A.), on the basis of which the conditions for granting financing to the Company and its Related Entities have been harmonized by the insurance creditors (the "Common Terms Insurance Agreement")

(documents referred to in points a to d above are together entitled as '"Financing Documents").

Under the Harmonized Credit Agreement and under the conditions indicated therein, to the Parent Company being the borrower:

d. a new open-end credit of a total amount of PLN 52,983 thousand has been granted;

e. a new open-end loan of a total amount of PLN 52,746 thousand has been granted;

f. change in bank guarantee lines has been granted, among others by increasing their availability periods.

In particular, two new guarantees were issued for repayment of the advance in the amounts respectively: PLN 30,067 thousand and PLN 30,868 thousand.

In addition, in connection with the revised Common Terms Insurance Agreement a new performance guarantee of PLN 30,067 thousand was issued by insurance companies.

Furthermore, the Harmonized Credit Agreement also provides for the recapitalization of the Parent Company by PKP PLK in an amount of not less than PLN 200,000 thousand by January 31, 2022. In the event the recapitalization is cancelled, the Parent Company undertook to conduct the sale process of AB Kauno Tiltai subsidiary. In the event the recapitalization is cancelled, the Parent Company undertook to conduct the sale process of AB Kauno Tiltai subsidiary.

Detailed information is provided in current report No 20/2021.

In note 1.8, of these financial statements in points 1-17 concerning acquisition of capital financing were presented events leading to increase in capital in the Parent Company. On April 8, 2022, the Parent Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for May 6, 2022, in order to "adopt a resolution on the increase in share capital of the Parent Company by issuing E-series ordinary bearer shares by private subscription, excluding in full the pre-emptive rights of existing shareholders, dematerialization and application for admission to trading on a regulated market held by the Warsaw Stock Exchange of the E-series shares and on the amendment of the Statute." Detailed information is provided in current report No 19/2022.

Detailed information is provided in current report No 20/2021;

2. On June 24, 2021, the Parent Company received a notification from mBank, acting as facility agent, that the conditions precedent set out in the annex of June 17, 2021 to the Harmonized Credit Agreement were met on June 24, 2021, the conclusion of which the Parent Company has communicated in the current report No 22/2021;

3. As a result of the launch of long-term financing documentation, the Parent Company received the following cash inflows in 2021:

a. **PLN 52.746 thousand** due to loan from ARP (on June 28, 2021);
b. **PLN 52,983 thousand** due to open-end credit, including: PLN 43,892 thousand from mBank and BGK, and PLN 9,091 thousand from ARP (on June 28, 2021);
c. **PLN 30,067 thousand** due to proper performance of contract (refund of withheld amount of 7%) on the "Wisła" contract (on July 13, 2021);
d. **PLN 30,067 thousand** due to advance payment of "Wisła" contract " (on July 14, 2021);
e. **PLN 30,868 thousand** due to advance payment on "Ełk" contract (on August 3, 2021);

The total amount of the above revenues amounted **to PLN 196,731 thousand**.

These proceeds enabled the Parent Company to unlock the possibility of contract execution through payments to subcontractors and suppliers of materials and to launch invoicing connected to the provision of lack of arrears in payments declarations by subcontractors. In addition, in 2021, the Parent Company managed to limit trade liabilities outstanding over 60 days. There has been a significant improvement in the flow of trade receivables, which was linked to the start of payments blocked by subcontractors.

4. Between June 18, 2021 and November 26, 2021, the Parent Company signed the following annexes corresponding to Financing Documents:

   a. an annex to the Harmonized Credit Agreement concluded on July 29, 2021;
   b. an annex to the Harmonized Credit Agreement concluded on August 27, 2021;
   c. an annex to the Harmonized Credit Agreement concluded on October 01, 2021;
   d. an annex to the Harmonized Credit Agreement concluded on November 26, 2021;

   Based on the above annexes, the parties have made changes to extend the validity of some of the guarantee lines.

5. On December 20, 2021, the Parent Company signed the annexes corresponding to the Financing Documents on the basis of which the parties decided that certain provisions of the Financing Documents were amended from the date of their signature, including the modification of certain conditions for the guarantees issued under the guarantee line, the date of the financial indicators' examination was postponed, the dates and amounts of past due commitments have been updated and terms for the establishment of some collaterals has been postponed.

   In addition, the parties decided that additional amendments to the Financing Documents would enter into force, in particular: extension of the deadline for the realization of the investment (understood as the submission of an application for registration of the increase in the share capital of the Company to the National Court Register, acquisition of shares in increased share capital in cash and the unconditional provision of funds from this recapitalization in the amount not less than PLN 200,000 thousand) by March 31, 2022, or, in the absence of performance of investment, extension of the date of disposal of all the shares held by the Company in AB Kauno Tiltai until May 31, 2022, if the following conditions are met:

   - the adoption by the general meeting of the Company by December 21, 2021 of a resolution on the recapitalization of the Company by the acquisition by PKP PLK for cash, in an amount of not less than PLN 200,000 thousand shares in the Company's increased share capital; and

   - conclusion by the Company and mBank S.A. and KPMG Advisory sp. z o.o. sp.k. by December 20, 2021 of the agreement on the analysis of strategic options for the Trakcja Group relating to the sale by the Company of shares in the share capital of AB Kauno Tiltai; and

- the submission by the Company and its Related Entities, no later than to December 15, 2021, of applications for disclosure in the register of pledges of all changes made to the collateral documents relating to funding granted to the Company.

Detailed information is provided in current report No 53/2021.

On January 28, 2022 the Company submitted an application to the financing entities for an extension of the time-limits for the realization of the investment and, in the absence of such realization, for the disposal of all the shares held by the Company in AB Kauno Tilltai. Discussions with financing entities are currently under way.

6. After December 20, 2021, the Parent Company signed the following annexes corresponding to the Financing Documents:
   a. an annex to the Harmonized Credit Agreement concluded on February 15, 2022;
   b. an annex to the Harmonized Credit Agreement concluded on March 14, 2022;
   c. an annex to the Common Conditions Agreement concluded on March 15, 2022;
   d. an annex to the Common Conditions Agreement concluded on April 13, 2022.

   On the basis of the above annexes, the parties decided among others, to postpone the payment of the installments and on the term of reduction of the exposure; as well as amendments were introduced to extend the validity of some of the guarantees within the guarantee line.

3.16 Bonds

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

- 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 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 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.

Bond series	Issue date	Redemption date	Nominal value of one bond (PLN)	Nominal value of the series (in thousands PLN)
F	08.05.2020	31.12.2023	1,7	20 000
G	08.05.2020	01.02.2024	1,7	7 674

*) In conjunction with Resolution No. 6 of the Extraordinary General Meeting of TRAKCJA Spółka Akcyjna of September 10, 2021 regarding the amendment of Resolution No. 3 of the Extraordinary General Meeting of the Company of December 10, 2019 on the issue of series F and G bonds convertible into series D shares, exclusion in full of the pre-emptive right of existing shareholders, in relations to series F and G bonds convertible into shares, new texts have been signed until the date of publication of this report uniform Terms and Conditions of Bond Issue, which take into account:

a) changing the redemption date of the Series F Bonds from December 30, 2022 to December 31, 2023;

b) changing the redemption date of the Series G Bonds from December 30, 2022 to February 1, 2024;

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

Bonds structure

	31.12.2021 Audited	31.12.2020 Audited
Short-term	28 451	27 832
Long-term	196	194
Total	**28 647**	**28 026**

As of the balance-sheet date of December 31, 2021, the bonds were recognized at amortized cost.

3.17 Provisions

Accounting principles

Provisions are recognised, if the Company 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 Company expects that the costs covered by a 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 it will be made. Any costs related to a given provision are recognised in loss or profit less any certain reimbursements.
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.

Professional judgment, estimates and assumptions

Provision on losses on projects
In terms of provisions for losses on contracts, they are created in situations where the unavoidable costs of fulfilling obligations to the client exceed the expected revenues according to estimates of the obtainable transaction price. In particular, these provisions are also established as a result of a quarterly analysis of budgets and the degree of progress of work. In situations where future budgeted costs exceed the outstanding revenue from the transaction price – the difference (expected loss on the contract) is recognised in the balance sheet as a provision. In subsequent periods, it is resolved as the actual loss is incurred or increased in situations where subsequent verifications lead to the expectation of a larger loss.

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

Provisions for contractual penalties

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

	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 1.01.2021 Audited	**2 960**	**422**	**16 438**	**3 198**	**354**	**48 394**	**3 295**	**75 061**
Recognised in income statement:								
- provision creation	-	578	2 055	4 175	447	18 221	1 504	26 980
- release of unused provisions	-	(250)	(2 552)	(96)	(181)	(2 764)	(768)	(6 611)
- use of provisions	-	(105)	(1 708)	(2 769)	(260)	(38 167)	(1 339)	(44 348)
- variances due to currency translation	(10)	(1)	(41)	(6)	-	(80)	-	(138)
Total	**(10)**	**222**	**(2 246)**	**1 304**	**6**	**(22 790)**	**(603)**	**(24 117)**
As at 31.12.2021 Audited	**2 950**	**644**	**14 192**	**4 502**	**360**	**25 604**	**2 692**	**50 944**

	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**

Provisions structure

	31.12.2021 Audited	31.12.2020 Audited
Long-term	13 563	21 355
Short-term	37 381	53 706
Total	**50 944**	**75 061**

The provisions for bonuses are 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.

3.18 Employee benefit liabilities

Accounting principles

In accordance with the corporate remuneration systems, employees of the Company are entitled to jubilee bonuses and retirement and pension benefits. The company creates a provision for future liabilities due to retirement and disability benefits and jubilee awards in order to assign costs to the periods they relate to. 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 (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.

Professional judgment, estimates and assumptions

Employee benefit liabilities related to retirement severance pay and jubilee awards in the current period have been estimated on the basis of actuarial methods. The amount of the liability depends on many factors that are used as assumptions in the actuarial method. One of the basic assumptions for determining the amount of the liability is the discount rate and the average expected increase in remuneration.

On September 21, 2020 the Management Board of the Company, along with trade union organizations operating in the Company, adopted new Regulations for Remuneration of Trakcja S.A. In the new Renumeration Regulations, the system of payment of jubilee awards and retirement severance payment has changed, inter alia, changes in the regulations resulted in the introduction of changes in the valuation of employee benefits liabilities as at September 30, 2020.

Liabilities on account of provisions for retirement and disability severance payments and jubilee awards

Provision for retirement and disability benefits	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Beginning of period	**4 505**	**4 510**
Total costs recognised in profit and loss account:	**875**	**(201)**
- Interest costs	89	144
- Current service costs	819	(61)
- Past service costs	(33)	(284)
Actuarial losses (profit) recognised in other comprehensive income	(129)	132
Benefits paid	(1 079)	(154)
Exchange rate differences	(9)	218
End of period	**4 163**	**4 505**

Provision for jubilee awards	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
Beginning of period	**1 243**	**1 214**
Total costs recognised in profit and loss account:	**17**	**167**
- Interest costs	18	27
- Current service costs	290	509
- Past service costs	(291)	(369)
Benefits paid	(1 170)	(138)
End of period	**90**	**1 243**

Liabilities on account of provisions for unused leaves and other employee benefits

Provision for unused leaves	Year ended 31.12.2021 Audited	Year ended 31.12.2020 Audited
As at start of period Audited	**14 410**	**11 944**
Recognised in profit and loss account:	**2 156**	**2 117**
- provision creation	14 322	12 785
- release of unused provision	(4 462)	(3 064)
- use of provision	(7 704)	(7 604)
Variances due to currency translation	(11)	349
As at end of period Audited	**16 555**	**14 410**

Employee benefit liabilities by maturity

	Provision for pension benefits	Provision for jubilee awards
During 1 year	586	24
From 1 to 4 years	766	30
Over 4 years	2 811	36
Total	**4 163**	**90**

The weighted average term of post-employment benefit liabilities is 4 years

Sensitivity analysis of employee benefit liabilities

To estimate the amount of provisions for employee benefits at the end of 2021, the Group applied a discount rate ranging from 2.3% to 3.7% (31 December 2020: 1.2% to 3.6%). The average expected salary growth in the Group was adopted at the level ranging from 1.0% to 2.3% (31 December 2020: 1.8% to 4.0%). The table below presents the sensitivity analysis of employee benefit liabilities:

Factor applied	Reasonably possible change of the factor	Liability due to employee benefits	
		increase	decrease
Discount rate	+/- 1 p. p.	(278)	328
Salary increase rate	+/- 1 p. p.	332	(287)

3.19 Capital risk management

Accounting principles

The goal of the Group in managing the capital risk is maintaining the Group's 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 good credit rating to be maintained and confirm that the Group's capital structure supports its operating activities.

	31.12.2021 Audited	31.12.2020 Audited
Equity to assets ratio	0,23	0,22
Equity to non-current assets ratio	0,56	0,57
Debt ratio	0,77	0,78
Debt to equity ratio	3,37	3,46

The above ratios have been calculated according to the following formulas:

Equity to assets ratio = Equity attributable to shareholders of Parent entity / total assets

Equity to non-current assets ratio = Equity attributable to shareholders of Parent entity / non-current assets

Debt ratio = (total assets - equity attributable to shareholders of Parent entity) / total assets

Debt to equity ratio = (total assets - equity attributable to shareholders of Parent entity) / equity attributable to shareholders of Parent entity

3.20 Trade and other liabilities

Accounting principles

After initial recognition, the Company 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.

A financial liability (or a part of a financial liability) is derecognised from the balance sheet 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.

Liabilities due for more than 12 months shall be retained amounts. In 2021 and 2020, the Company resigned from presenting a discount on liabilities due over 12 months due to low materiality.

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 mainly 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.

	31.12.2021 Audited	31.12.2020 Audited
Trade liabilities, before discounting	254 933	320 615
Total, net trade liabilities after discounting	**254 933**	**320 615**
including:		
- liabilities from related entities	103	180
Amounts held	44 986	50 821
Budgetary liabilities	53 097	50 405
Payroll liabilities	12 385	11 641
Other liabilities towards third parties	4 379	3 083
Dividends and other distributions	300	93
Total trade and other liabilities	**370 080**	**436 658**

Liabilities to related parties are disclosed in Note 5.4.

Trade and other liabilities and retentions by maturity

	31.12.2021 Audited	31.12.2020 Audited
Trade liabilities before discounting	299 919	371 436
With maturity within 12 months	278 859	350 208
With maturity over 12 months	21 060	21 228
Total, Trade liabilities after discounting	**299 919**	**371 436**

Trade and other liabilities currency structure

	31.12.2021 Audited	31.12.2020 Audited
In PLN	252 959	319 575
In foreign currencies - after conversion into PLN, including:	117 121	117 083
in EUR	109 696	111 051
in SEK	7 425	4 120
in UAH	-	1 912
Total	**370 080**	**436 658**

Trade liabilities and retentions

	31.12.2021 Audited	31.12.2020 Audited
Up to 12 months	29 392	35 402
Over 12 months	15 594	15 419
Total	**44 986**	**50 821**

3.21 Lease liabilities

Accounting principles

According to IFRS 16, an agreement constitutes or contains a lease if it transfers the right to control the use of an identified asset for a given period in exchange for remuneration. In order to evaluate whether an agreement conveys the right to control the use of an identified asset for a given period, the Company assesses whether the customer enjoys the following rights jointly throughout the period of use:

a) the right to reap substantially all the economic benefits from the use of the identified asset; and

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

The Company recognizes in the balance-sheet a right-of-use asset and lease liabilities for all leases, with the exception of cases where IFRS 16 provides for non-recognition. After the initial recognition, the Company recognizes depreciation of a right-of-use asset and lease liability interest.

Lease payments are allocated between finance costs and reduction of the outstanding lease liability balance in such a manner as to allow to obtain a fixed rate of interest on the outstanding liability. Finance costs are charged directly to the profit and loss account.

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, non-current assets held under finance leases are depreciated during their expected useful life or their lease term, whichever is shorter.

The right of perpetual usufruct of land

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

Professional judgment, estimates and assumptions

Separation of non-lease components
The Company assesses whether the contract includes lease and non-lease components. Non-lease components, such as maintenance fees in contracts for lease of premises, or service maintenance of components of assets constituting the subject of the contract, are then separated from contracts that included lease and non-lease components. However if the contract covers non-lease elements which the Company deems insignificant in the light of the entire contract, the Company shall apply a simplification consisting in joint treatment of lease and non-lease elements as one lease element.
Defining the lease term
In defining the lease term, the Company assesses all material facts and events which affect the existence of economic triggers to use the option of prolongation, or not using the option of termination. The assessment is made in case of a significant event or a significant change in circumstances affecting the assessment.
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.

Future minimum lease payments under these agreements and the present value of the minimum net lease payments

	31.12.2021 Audited	31.12.2020 Audited
Nominal value of minimum leasing fees		
Within 0-90 days	5 762	5 732
Within 90-360 days	24 643	27 047
Within 1 to 5 years	50 144	49 545
Over 5 years	46 111	43 964
Total lease liabilities - total minimum leasing fees	**126 660**	**126 288**
Financial costs on account of lease	**(38 957)**	**(35 575)**
Present value of minimum leasing fees		
Within 0-90 days	4 913	4 860
Within 90-360 days	22 420	24 834
Within 1 to 5 years	44 000	43 689
Over 5 years	16 370	17 330
Total present value of minumum leasing fees	**87 703**	**90 713**

3.22 Information on financial instruments

Accounting principles

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

The Company 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 Company are held to collect contractual cash flows.

After initial recognition, the Company 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 Company measures a financial asset at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- 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 Company 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 Company uses simplified methods of measurement of financial assets and liabilities measured at amortized cost if it does not distort information included in the balance sheet, 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 Company 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 Company does not hold any equity instruments. The Company recognises derivative instruments not designated for hedge accounting purposes as assets measured at fair value through profit or loss.

As at 31.12.2021	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	8 466	-
Total	**8 466**	**-**
Recognised as current assets		
Trade and other receivables (excluding budgetary)	327 592	-
Other financial assets	36 663	-
Cash and cash equivalents	126 946	-
Total	**491 201**	**-**
Recognised as long-term liabilities		
Interest-bearing bank loans and borrowings	-	301 754
Other financial liabilities	-	15
Bonds	-	28 451
Total	**-**	**330 220**
Recognised as short-term liabilities		
Interest-bearing bank loans and borrowings	-	92 334
Trade and other liabilities (excluding budgetary)	-	316 983
Bonds	-	196
Total	**-**	**409 513**
Total	**499 667**	**739 733**

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	6 452	-
Derivative financial instruments		-
Total	**6 452**	**-**
Recognised as current assets		
Trade and other receivables (excluding budgetary)	418 449	-
Other financial assets	4 640	-
Pochodne instrumenty finansowe		-
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
Bonds	-	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	**565 719**	**781 702**

Fair value of financial instruments

Professional judgment, estimates and assumptions

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 Company relies on professional judgement. In 2021, 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.

Fair value measurement and measurement procedures

Some assets and liabilities of the Company are measured at fair value for the purposes of financial reporting. The Company measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable.

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.

The Company 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.

Comparison of fair value and carrying amount

	As at 31.12.2021		As at 31.12.2020	
Classes of financial instruments	**Book value**	**Fair value**	**Book value**	**Fair value**
Loans granted	-	-	242	242
Guarantee deposits	43 310	43 310	9 031	9 031
Other bank deposits	1 792	1 792	1 792	1 792
Trade and other receivables (excluding budgetary receivables)	327 592	327 592	418 449	418 449
Cash and cash equivalents	126 946	126 946	136 178	136 178
Loans & credits taken and financial leasing liability	394 088	394 088	367 283	367 283
Obligacje	28 647	28 647	28 026	28 026
Other liabilities	15	15	140	140
Trade and other liabilities (excluding budgetary liablities)	316 983	316 983	386 253	386 253

Both in the reporting period and in the comparable period, there were no transfers between level 1 and level 2 of the fair value hierarchy, and neither of the instruments was moved from level 2 to level 3 of the fair value hierarchy.

Purposes and principles of risk management

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

Risk type	Exposure	Risk measurement	Management/Collateral
Market-related, concerning exchange rate fluctuations	a) economic FX exposure resulting from receipts less expenses indexed to or denominated in a currency other than the functional currency, b) FX exposure resulting from investments or firm liabilities and receivables in foreign currencies, c) balance-sheet FX exposure resulting from assets and liabilities denominated in foreign currencies	a) and b) based on planned cash flows. c) based on analyses of balance-sheet items.	Market risk management policy and hedging strategies, which specify the principles for measuring particular exposures, the parameters and time horizon for hedging a given risk and the hedging instruments used.
Market-related, concerning interest rate changes	Exposure resulting from held assets and liabilities for which interest income and costs depend on variable interest rates.	Based on the share in the total gross debt for items for which interest costs depend on variable interest rates .	Market risk management policy and hedging strategies, which specify the principles for measuring particular exposures, the parameters and time horizon for hedging a given risk and the hedging instruments used.

Liquidity	The risk of an unforeseen shortage of funds or unavailability of sources of financing, both in the short- and long-term, leading to a temporary or permanent loss of the capacity to pay financial liabilities or the need to acquire financing on less favorable terms.	Based on planned cash flows in the short- and long-term	Liquidity management policy, which specifies the principles of reporting and liquidity consolidation. The Group maintains a policy of diversifying the sources of financing and makes use of various tools for effective liquidity management.
Loss of funds and deposits	Risk of bankruptcy of domestic or foreign banks on whose accounts funds are held or deposited.	Regular review of banks' creditworthiness and determination of funds concentration limits. Management based on surplus funds management principles which specify the option to grant limits to particular banks, as determined based on, inter alia, ratings and reporting data. Cooperation mainly with crediting banks.	Regular review of banks' creditworthiness and determination of funds concentration limits. Management based on surplus funds management principles which specify the option to grant limits to particular banks, as determined based on, inter alia, ratings and reporting data. Cooperation mainly with crediting banks.
Credit	The risk that business partners fail to pay for receivables for delivered products and services is related to creditworthiness of customers with whom business transactions are concluded.	Analysis of reliability and solvency of business partners.	Management based on adopted procedures and policies concerning trade credit and collection management, 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 2021 and 31 December 2020 is presented below:

Change of PLN/EUR exchange rate in reference to average exchange rate for 2021		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	4,7660	1 650	319	1 331
+	0,10 PLN/EUR	4,6660	825	160	665
-	0,10 PLN/EUR	4,4660	(825)	(160)	(665)
-	0,20 PLN/EUR	4,3660	(1 650)	(319)	(1 331)

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 exchange rate as at 31.December 2021		PLN / EUR exchange rate	Impact on cash assets
+	0,20 PLN/EUR	4,7994	3 932
+	0,10 PLN/EUR	4,6994	1 966
-	0,10 PLN/EUR	4,4994	(1 966)
-	0,20 PLN/EUR	4,3994	(3 932)

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)

Interest rate risk

As at 31 December 2021, 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 3.15.

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 2021 and 31 December 2020 is presented below: For the purpose of analysing the sensitivity to the interest rate fluctuations, such fluctuations were estimated as at 31 December 2021 and as at 31 December 2020 at the rationally expected level, i.e. +1/ -1 percentage point.

	Value at the balance-sheet date	Sensitivity to changes as at 31.12.2021	
		+ 100 pb (PLN, EUR)	- 100 pb (PLN, EUR)
Trade receivables (present value)	335 435		
Trade payables (present value)	254 933		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	170 256	1 703	(1 703)
Loans and credits, factoring liability, bonds (nominal value/interest)	394 088	(3 941)	3 941
Gross impact on period result and net assets		**(2 238)**	**2 238**
Deferred tax		(425)	425
Total		**(1 813)**	**1 813**

	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)
Loans and credits (nominal value/interest)	367 283	(3 673)	3 673
Bonds issued	28 027	(280)	280
Gross impact on period result and net assets		**(2 501)**	**2 501**
Deferred tax		(475)	475
Total		**(2 026)**	**2 026**

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 1.8 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 2021, see Note 3.15. 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 31.12.2021 Audited	0-90 days	90-360 days	1-5 years	Over 5 years
Interest-bearing loans and borrowings	12 502	52 499	241 384	-
Financial lease liabilities	4 912	22 421	44 000	16 370
Bonds	196	-	28 451	-
Trade and other liabilities (except budget liabilities)	284 519	11 404	12 465	8 595

As at 31.12.2020 Audited	0-90 days	90-360 days	1-5 years	Over 5 years
Interest-bearing loans and borrowings	3 627	52 809	220 133	-
Financial lease liabilities	4 861	24 834	43 688	17 331
Bonds	194	-	27 832	-
Trade and other liabilities and amounts held	269 402	80 806	21 228	-

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 43% of the total receivables of Trakcja Group (26% as at December 31, 2020), 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 3.9.

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	
	31.12.2021 Audited	31.12.2020 Audited
Trade and other receivables, excluding budget receivables	451 908	516 161
Bank guarantees deposits	43 310	9 031
Cash and cash equivalents	126 946	136 178
Total	**622 164**	**661 370**

3.23 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.

	31.12.2021 Audited	Level 1	Level 2	Level 3
Investment property:	**34 905**	**-**	**-**	**34 905**
Offices	30 333	-	-	30 333
Land	2 156	-	-	2 156
Deposits of natural aggregates	2 416	-	-	2 416

	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

Assumptions used in determining fair values:

- of individual categories of investment instruments are described in Note 3.22,

- of investment properties are described in Note 3.4.

4. Notes to the statement of cash flows

4.1 Differences between balance sheet and statement of cash flows items

The difference between the revenue from the issue of bonds in the cash flows statement and the nominal value of bonds results from the fact that the amount due from COMSA for accepting an offer to purchase the Series G Bonds (PLN 7,674 thousand) was set off against claim of COMSA arising from the loan granted to Trakcja S.A.

Below is an explanation of selected items in the cash flows statement between the balance-sheet change and the change presented in the cash flows statement:

Change in receivables	Year ended 31.12.2021 Audited	31.12.2020 Audited
Balance sheet change in trade and other receivables	**88 705**	**(20 352)**
Foreign exchange differences	(562)	10 301
Change in receivables write-offs	(758)	(1 240)
Adjustment regarding receivables from the sale of fixed assets included in investing activities	(53 000)	(1 574)
Repurposing - reclassification to assets held for sale	(862)	-
Other exclusions of cashless transactions	61	(1 014)
Change in the cash flow statement	**33 584**	**(13 879)**

Change in inventory	Year ended 31.12.2021 Audited	31.12.2020 Audited
Balance sheet change in inventories	**5 873**	**22 245**
Foreign exchange differences	(194)	3 567
Reclass between inventory items and accruals	-	4 929
Repurposing - reclassification to assets held for sale	(2)	-
Increase in inventories due to recognition of right of perpetual usufruct of land in accordance with IFRS 16	1 539	-
Other exclusions of cashless transactions	-	12
Change in the cash flow statement	**7 216**	**30 753**

Change in liabilities	Year ended 31.12.2021 Audited	31.12.2020 Audited
Balance sheet change in trade and other liabilities	**(66 578)**	**27 892**
Balance sheet change in liabilities due to employee benefits	**650**	**2 490**
Foreign exchange differences	762	(12 482)
Repurposing - reclassification to assets held for sale	(325)	-
Other exclusions of cashless transactions	1 358	706
Change in the cash flow statement	**(64 133)**	**18 606**

Change in prepayments and accruals and advances	Year ended 31.12.2021 Audited	31.12.2020 Audited
Balance sheet change of accruals	**(5 561)**	**8 403**
Foreign exchange differences	(21)	241
Reclass between inventory items and accruals	-	(4 929)
Repurposing - reclassification to assets held for sale	(21)	-
Other exclusions of cashless transactions	5 287	(233)
Change in the cash flow statement	**(316)**	**3 482**

Change in provisions	Year ended 31.12.2021 Audited	31.12.2020 Audited
Balance sheet change in provisions	**(24 117)**	**(33 805)**
Foreign exchange differences	136	(1 345)
Other exclusions of cashless transactions	-	363
Change in the cash flow statement	**(23 981)**	**(34 787)**

Change in settlements under contracts with customers	Year ended 31.12.2021 Audited	31.12.2020 Audited
Balance sheet change in settlements under contracts with customers	**(13 416)**	**54 060**
Foreign exchange differences	(588)	291
Other exclusions of cashless transactions	-	24
Change in the cash flow statement	**(14 004)**	**54 375**

4.2 Cash and cash equivalents disclosed in the statement of cash flows

	31.12.2021 Audited	31.12.2020 Audited
Cash in hand	70	44
Cash at bank	111 159	133 394
Other cash - deposits	15 717	2 740
Total cash and cash equivalents	**126 946**	**136 178**
Cash and cash equivalents excluded from cash flow statement	-	(272)
Cash and cash equivalents presented in cash flow statement	**126 946**	**135 906**
- with limited access	8 344	-

Restricted cash in the amount of PLN 8,344 thousand constitute funds of the Parent Company in bank accounts:

- resulting from the collateral of the advance repayment guarantee in the amount of PLN 7,505 thousand;

- representing funds on the cession of loan accounts in the amount of PLN 839 thousand.

As at December 31, 2021, the Trakcja Group does not have cash excluded from the cash flow statement. Cash excluded from cash flow statement as at December 31, 2020 relate to blocked funds on accounts of property development projects in the amount of PLN 272 thousand.

5. Other information

5.1 Contingent receivables and liabilities

	31.12.2021 Audited	31.12.2020 Audited
Contingent receivables		
From related entities due to:	**81 397**	**78 648**
Received guarantees and sureties	79 643	77 965
Bills of exchange received as collateral	1 754	683
Total contingent receivables	**81 397**	**78 648**

From related entities due to:		
From other entities due to:	**11 198 208**	**11 050 816**
Provided guarantees and sureties	937 576	873 150
Promissory notes	756 440	571 456
Mortgages	5 612 401	5 717 542
Assignment of receivables	976 023	1 053 263
Assignment of rights under insurance policy	165 998	227 438
Security deposits	17 964	34 754
Other liabilities	2 731 806	2 573 213
Total contingent liabilities	**11 198 208**	**11 050 816**

Contingent liabilities due to guarantees and sureties granted for the benefit of other entities are mainly guarantees issued by banks for the benefit of business partners of the Group members as collateral for their claims against the Group arising 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.

	31.12.2021 Audited	31.12.2020 Audited
Contingent receivables due to contracts signed with employees	-	706
Contingent liabilities due to contracts signed with employees	6 979	7 486

5.2 Information on guarantees and sureties granted and assets pledged as collateral

Pursuant to long-term financing agreements executed by the Parent Company on September 27, 2019 (as notified by the Company in RB 51/2019), the following collaterals over the Company's assets were established:

- mortgages on real estate, including real estate located in: Warsaw, Wrocław, Bieńkowice;
- a registered pledge on a set of goods and rights;
- assignment to secure rights under commercial contracts, insurance and intragroup loans;
- pledge on shares in subsidiaries owned by the Company: BTW Sp. z. o.o. (100% of shares); PRK 7 Nieruchomości sp. z o.o. (100% shares); PDM S.A. (94.62% of shares); 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 inventories;
- pledge on bank accounts;
- voluntary submission to enforcement proceedings by the Company.

In addition, on the basis of financing agreements concluded on June 17, 2021, the Parent Company undertook to establish a new pledge on 66,84% of the shares of its subsidiary AB Kauno Tiltai.

Therefore, as at December 31, 2021 and December 31, 2020, the total value of the assets of the Company and of the subsidiaries pledged as collateral in the balance sheet value was:

	31.12.2021	31.12.2020
	Audited	Audited
Tangible non-current assets	159 070	190 622
Intangible assets	2 504	2 523
Investment properties	34 905	26 587
Other financial assets	14 251	14 722
Inventory	107 269	94 798
Trade and other receivables	142 452	79 300
Cash and cash equivalents	120 465	120 079
Total	**580 916**	**528 631**

In addition, as at December 31, 2021 a pledge on the shares of subsidiaries was also established in the amount of PLN 288,940 thousand (as at 31.12.2020: PLN 150,841 thousand).

5.3 Significant disputes and court cases

The Company discloses significant proceedings before court or any other authority, regarding its liabilities and amounts due, as well as its subsidiaries.

Proceedings concerning the Parent Company:

The case concerning receivables due from Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. in liquidation in Warsaw

The Parent Company merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja S.A. 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. (hereinafter referred to to as: “PNI”) with the possibility of concluding an agreement, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław submitted to the bankruptcy court lodgement of claim of the Parent Company dated November 20, 2012. The notification concerned claims totaling PLN 55,664 thousand, including principal receivables, interest due up to the date of bankruptcy and charged 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 thousand, including PLN 10,275 thousand for unpaid invoices and PLN 295 thousand for interest on late payment. The receivables from contractual penalties and other claims in the total amount of PLN 44,957 thousand were dismissed. The Parent Company do 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 June 8, 2015, the Parent Company received a notice from the administrator in the bankruptcy proceedings on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and at the present time it is difficult to predict when it will conclude.

Case against Leonhard Weiss International GmbH

Due to the fact that Leonhard Weiss International did not reply to the declaration, the debit note and the request for payment of October 31, 2017, the Parent Company decided to take the case to court.

The Parent Company submitted a reply in response to a claim against Leonhard Weiss International GmbH ("LWI") for payment, in connection with the contract of sale of 50% shares in BTW sp. z o.o. 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 thousand, including the statutory interest calculated as follows:

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

The Parent Company requested also that the defendant reimburse the Parent Company with the costs of the proceedings, including the costs of legal representation, in accordance with prescribed rates. As at the day of accepting this financial statements for publication, it is impossible to estimate the amount of interest and costs of the proceedings.

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 thousand 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 restructuring proceedings.

The proceedings concluded with a final judgment, whereby Trakcja was awarded the amount of PLN 2,768 thousand with interest as requested in the claim. Trakcja acquired an enforcement clause, but due to the fact that as at the day of publication of these financial statements Eltrans is insolvent, execution is currently impossible.

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

On May 22, 2019 the Parent Company filed a lawsuit against ALSTAL Grupa Budowlana sp. z o.o. based in Jacewo for the payment of PLN 557 thousand plus interest as the payment of remuneration for construction works performed as a subcontractor within the scope of the project ordered by Tauron Dystrybucja S.A. entitled "Network Management Development in Wrocław." On November 17, 2020, a hearing was held before the District Court in Bydgoszcz. The case is pending and at the present time it is difficult to predict when it will conclude.

Proceedings against the State Treasury – the General Director of National Roads and Motorways (GDDKiA)

On December 23, 2020, the Parent Company, Masfalt sp. z o.o. and Akcine bendrove "Kauno Tiltai" filed a request for arbitration against the State Treasury – the General Director of National Roads and Motorways, pursuing the amount of PLN 20,453 thousand in total by way of remuneration for the performance of the essential part of the agreement of October 23, 2017 for the design and implementation of the project referred to as "Extension of the national road No 22 on the Czarlin – Knybawa section" and by way of remuneration for materials on the construction site, contractual penalties for the Contractor rescinding the Contract due to the Contracting Entity's fault, remuneration for additional works and reimbursement of general construction costs in connection with extending the time necessary to implement the investment. The Company modified the amount of the claim by claiming a total amount of PLN 19,893 thousand. In the course of the procedure, the Contracting Entity has filed a counterclaim of PLN 4,182 thousand. On March 7, 2022, in the course of the arbitration procedure the Parties

concluded an agreement by which all existing and potential reciprocal claims between the Contractor and the Contracting Entity relating to the Contract were settled and the dispute over liability for the improper performance of the agreement was lifted; as a result, there is no risk of the Parent company being excluded from the tenders under Article 109(1)(5) and (7) of the Public Procurement Law. As a result of the settlement agreement, the Contracting Entity paid the Company the amount of PLN 4,989 thousand gross.

On December 30, 2020, the Parent Company and Przedsiębiorstwo Usług Technicznych Intercor sp. z o.o. filed a lawsuit against the State Treasury – the General Director of National Roads and Motorways, pursuing the amount of PLN 23,861 thousand in total by way of reimbursement for general construction costs in connection with extending the execution period of the agreement of October 12, 2015 for the design and construction of the project referred to as "Design and construction of the S-5 expressway on the Nowe Marzy - Bydgoszcz section – border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeships, split into 4 parts. Part 4 – Design and construction of the S-5 expressway at the section from Szubin junction (with junction) to Jaroszewo junction (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 Parent Company and Przedsiębiorstwo Usług Technicznych Intercor sp. z o.o. filed a lawsuit against the State Treasury – the General Director of National Roads and Motorways, pursuing increased remuneration for the performance of the agreement of October 12, 2015 for the design and construction of the project referred to as "Design and construction of the S-5 expressway on the Nowe Marzy - Bydgoszcz section – border of the Kujawsko-Pomorskie and Wielkopolskie Voivodeships, split into 4 parts. Part 4 – Design and construction of the S-5 expressway at the section from Szubin junction (with junction) to Jaroszewo junction (with junction), with a length of approx. 19.3 km" for the amount of PLN 33,634 thousand and award of the amount of PLN 33,634 thousand with statutory interest for delay. The case is at an early stage of proceedings and it is difficult to predict when it will conclude.

Notwithstanding the foregoing, the Parent Company indicates that on February 24, 2022, Trakcja received a letter from GDDKIA Bydgoszcz informing about the charge of the consortium by a contractual penalty of PLN 42,293 thousand for exceeding the time allowed for Completion of the Works. The Company sent a note indicating that there are no factual and legal grounds for imposing a contractual penalty. The Parent Company did not recognize this note in a net result of 2021.

Proceedings against the Wielkopolskie Voivodship – – Wielkopolski Zarząd Dróg Wojewódzkich in Poznań

On July 15, 2021, the Parent Entity filed a lawsuit against the Wielkopolskie Voivodship – Wielkopolski Zarząd Dróg Wojewódzkich in Poznaniu for payment of PLN 9,973 thousand for compensation for a loss suffered in connection with the activities of Wielkopolski Zarząd Dróg Wojewódzkich in Poznań. The dispute relates to the agreement of October 17, 2018 for the performance of the project referred to as: "Development of voivodship road No 263 from junction with DP 3403P in Drzewce to junction with DW473 in the project and build system." The case is at an early stage of proceedings and it is difficult to predict when it will conclude.

On July 15, 2021, the Parent Entity filed a lawsuit against the Wielkopolskie Voivodship – Wielkopolski Zarząd Dróg Wojewódzkich in Poznań for payment of PLN 11,702 thousand for compensation for loss suffered in connection with the activities of Wielkopolski Zarząd Dróg Wojewódzkich in Poznań. The dispute relates to the agreement of August 24, 2018 for the performance of the project referred to as: "Development of voivodship road No 190 from junction with the voivodship road No 188 in Krajenka to junction with national road No 10-phase I in the project and build system." The case is at an early stage of proceedings and it is difficult to predict when it will conclude.

Proceedings against PKP PLK

On October 31, 2017, the Parent Company filed a lawsuit against PKP PLK for the payment of PLN 46,747 thousand (including, interest of PLN 4,914 thousand), 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 Trakcja and unpaid by PKP PLK due to the submission of an unjustified statement on the withdrawal in part from the agreement. On December 12, 2017, the Parent Company extended the claim to PLN 50,517 thousand (including PLN 5,336 thousand interest). The extension pertained to the Parent Company's claims against PKP PLK in relation to the groundless enforcement of the contractual penalties accrued and the part of remuneration for the performance of the contract and agreements for additional works, which PKP PLK unreasonably refuses to pay. On October 18, 2018, the Company extended the claim to PLN 51,767 thousand. The damage of Trakcja includes PLN 1,250 thousand, which the Parent Company was obliged to pay to the Bocheński Poviat in order to satisfy the request of PKP PLK concerning earlier, than it resulted from the Work Schedule, launching of track 1 on the route Bochnia - Brzesko Okocim. On May 06, 2019, the Parent Company extended the claim to PLN 84,121 thousand. Trakcja extended the scope of the claims pursued also by the claims for damages against PKP PLK, including tort claims of its subcontractors: Arcadis sp. z o.o., Torpol S.A. and PUT Intercor sp. z o.o. The case is pending and at the present time it is difficult to predict when it will conclude.

On October 31, 2017 the Parent Company along with Przedsiębiorstwo Budowlane "FILAR" sp. z o.o. based in Wrocław, and Berger Bau Polska sp. z o.o. based in Wrocław, has filed a lawsuit against PKP PLK for reimbursement of additional costs related with the extension of the completion date of the contract for basic linear construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of the Dolnośląskie Voivodship within the scope of the project POIiŚ 7.1-4 entitled "Modernisation of railway line E 59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of the Dolnośląskie Voivodship." On March 29, 2018 an extension of the lawsuit was brought in the course of the case to include claims of another subcontractor - INFRAKOL sp. z o.o. sp. k. Attributable to the Parent Company part of the claim is equal to PLN 11,640 thousand (including PLN 1,416 thousand interest). On October 21, 2021, the Court issued a judgment rejecting the entire claim of the subcontractor INFRAKOL sp. z o.o. sp. k. The case is pending and at the present time it is difficult to predict when it will conclude.

On October 31, 2017, the Parent Company filed a lawsuit in the payment order proceedings against PKP PLK for the payment of PLN 12,221 thousand (including interest of PLN 1,822 thousand), requesting that unjust enrichment in the form of unpaid remuneration be refunded for the completion of:

a) additional works in connection with contract dated December 16, 2010 for "Design and implementation of the construction works at the railway line Kraków – Medyka – State border, at the section Dębica – Sędziszów Małopolski (111.500 km – 133.600 km) under the project POIiŚ 7.1- 30 entitled "Modernization of railway line E30/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.2" in the total amount of PLN 7,570 thousand.
b) additional works in connection with agreement dated December 16, 2010 for the "Design and implementation of the construction works at the railway line Kraków – Medyka – State border, at the section Dębica – Sędziszów Małopolski - Rzeszów Zachodni under the project "Modernization of railway line E3/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.3" in the total amount of PLN 2,829 thousand.

The case is pending and at the present time it is difficult to predict when it will conclude.

On August 27, 2018, the Parent Company filed a lawsuit for payment against PKP PLK seeking the amount of PLN 6,675 thousand along with statutory interest for delay, as a compensation for unjust enrichment of the defendant in the form of unpaid remuneration for the performance of additional works related to the implementation of agreement of December 16, 2010 for "Designing and execution of construction works on Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section (km 111,500 - 133,600) as part of the POIiŚ 7.1-30 project entitled "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 6,284 thousand and capitalized interest on the principal for the period from October 6, 2017 to August 27, 2018. The case is pending and at the present time it is difficult to predict when it will conclude.

On October 22, 2018, the Parent Company filed a lawsuit for payment against PKP PLK, seeking the amount of PLN 632 thousand along with statutory interest for delay, for additional works not provided for in the agreement of 1 March 14, 2017 for the preparation of design documentation and performance of construction works on the Poznań Wschód - Mogilno section from km 0.265 to km 73,000, as a part of the project entitled: "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 pending and at the present time it is difficult to predict when it will conclude.

On November 29, 2018, the parent Company filed a lawsuit for payment against PKP PLK seeking the amount of PLN 20,935 thousand along with statutory interest for delay, as reimbursement for the costs of extension of the implementation of an agreement of November 29, 2010 for "Designing and execution of construction works on the Kraków - Medyka - State border railway line on the Dębica - Sędziszów Małopolski section (km 133.600 - 154.900) as a part of the POIiŚ 7.1-30 project entitled "Modernization of the E30/CE 30 railway line, Kraków - Rzeszów section, stage III" Tender 2.2", due to circumstances within the scope of responsibility of PKP PLK, both under the provisions of the contract, as a public procurement agreement, as well as general liability for damages specified in the provisions of the Civil Code. The case is pending and at the present time it is difficult to predict when it will conclude.

On January 17, 2019, the Parent Company filed a lawsuit for payment against PKP PLK seeking the amount of PLN 12,296 thousand along with statutory interest for delay, as reimbursement for additional costs resulting from the extension of the implementation of an agreement "Continuation of upgrade work on Railway Line E59 (track and subgrade work and track infrastructure work) as a 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. On July 12, 2019, Trakcja extended the action to PLN 14,602 thousand, i.e. by the value of the additional services provided to PKP PLK. The case is pending and at the present time it is difficult to predict when it will conclude.

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

a) reimbursement for additional costs resulting from the extension of the implementation of agrement for Construction of civil engineering structures (km 160,857; km 155.170 and km 145.650) of railway line No 271 Wrocław – Poznań, as a 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 to the Partial Contract A – railway viaduct on km 145.650 in Mosina, due to circumstances within the scope of the responsibility of PKP PLK.

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

The case is pending and at the present time it is difficult to predict when it will conclude.

On April 2, 2019, the Parent Company filed a lawsuit for payment against PKP PLK seeking the amount of PLN 489 thousand along with statutory interest for delay, as a reimbursement for additional costs resulting from the extension of the implementation of contract 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 to the Partial Contract C – railway overpass on km 160.857 in Poznań, due to circumstances within the scope of responsibility of PKP PLK. The case is pending and at the present time it is difficult to predict when it will conclude.

On June 13, 2019, the Parent Company filed a lawsuit against PKP PLK together with an application for the protection of claims of the Company, the object of which is to determine the content of the liability relationships of the Parent Company under the following agreements:

1. agreement dated December 16, 2010 for the "Design and implementation of the construction works at the railway line Kraków – Medyka – State border, at the section Dębica – Sędziszów Małopolski (111.500 km – 133.600 km) under the project POIiŚ 7.1- 30 entitled "Modernization of railway line E30/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.2"; and
2. agreement dated November 29, 2010 for the "Design and implementation of the construction works at the railway line Kraków – Medyka – State border, at the section Sędziszów Małopolski - Rzeszów Zachodni under the project "Modernization of railway line E3/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.3." Questionable matter is necessity to issue a declaration of conformity to type for installations or structures in accordance with the Rail Transport Act and the correctness of design and construction of the noise barriers.

The amount claimed is PLN 12,301 thousand. On September 10, 2021, the Court issued a judgment rejecting the action in its entirety. The Parent Company appealed against the judgment in the part relating to the proper execution of the noise barriers.

On September 14, 2021 the Company filed a lawsuit against PKP PLK on:

a) determination of the invalidity of the provision of subclause 8.7(a) of the Specific Contract Terms for the agreement of July 24, 2018 for the design and execution of works under the project entitled Construction of the Szczecin Metropolitan Railway using existing sections of railway lines 406, 273, 351 — task A entitled: "Modernization of railway line No 406 on section Szczecin-Police" and the agreement of July 24, 2018 for the design and execution of works under the project Construction of Szczecin Metropolitan Railway using existing sections of railway lines No 406, 273, 351 — task B entitled "Upgrading of selected passenger infrastructure on railway lines No 273, 351 and 40";
b) determination, that under these agreements there is no obligation on the Parent Company as the contractor, to perform certain works and project works.

The value of the subject matter of the dispute determined for the purposes of legal proceedings amounts to PLN 229,795 thousand. The case is at early stage and at the present time it is difficult to predict when it will conclude

As at the date of approval of these financial statements for publication - in particular in connection with the fact that the claim relates to the determination of contract terms as specified in a and b above (and not to payment)

- the Company is unable to estimate the impact of the above event on the financial result of the Parent Company and the Group.

Notwithstanding the above, as at December 31, 2021, the Group adopted for the two contracts described above concerning the Szczecin Metropolitan Railway the assumption that, because of the lack of necessary cooperation of the Contracting Entity that is essential for the realization of the works, the subject matter of the agreements cannot be performed.

In order to develop further ways of acting on these contracts, the Parent Company took the following steps:

1. on January 28, 2022, the Parent Company requested a guarantee of payment pursuant to Article 649^3 of the Civil Code in relation to Article 649^1 (1) of the Civil Code;
2. on February 28, 2022, the Parent Company called on the Contracting Entity to cooperate under the pain of withdrawal;
3. on March 11, 2022, the Parent Company withdrew the payment guarantee request submitted on January 28, 2022. At the same time, it has submitted new requests for payment guarantees pursuant to Article 649^3 of the Civil Code in relation to Article 649^1 (1) of the Civil Code;
4. during the period from March 11, 2022, the Parent Company conducted intensified dialog with the Contracting Entity with a view to reaching an acceptable position for both Parties;
5. on March 25, 2022, the Parent Company again requested the Contracting Entity to cooperate under the pain of withdrawal;
6. on April 20, 2022, the Parent Company made a declaration of withdrawal of the claim for payment of the guarantee referred to in point 3 in connection with ongoing discussions with the Contracting Entity.

In addition, the Parent Company has analyzed possible scenarios for two railway contracts concerning the feasibility and profitability of those contracts and the risks associated with the calculation of contractual penalties by the Contracting Entity in the event of default or execution of contracts at a different time from this resulting from the agreements concluded. In view of the impossibility of completing the agreed work for technical unfeasibility of the agrements concluded, the Parent Company assumed that the most optimal scenario is the early termination of the contracts by mutual consent of the parties and the absence of penalties. At the same time, the Parent Company does not exclude a unilateral withdrawal scenario. In the opinion of the Management Board of the Parent Company, the charging of contractual penalties by the Contracting Entity would be unfounded and the Parent Company took steps to lower such risks. In view of the above, on December 31, 2021, the budgets of the two contracts were intended to be completed after the finalization of the design phase. The Parent Company has waived all other disclosures relating to these contracts by reference to paragraph 92 of IAS 37. In the opinion of the Management Board of the Parent Company, such disclosures could provide information to other parties to contracts, which may be used contrary to the interests of the Parent Company. During the period from March 11, 2022, the Parent Company shall conduct intensive discussions with the Contracting Entity with a view to reaching an acceptable position for both Parties.

In connection with ongoing discussions with the Contracting Entity, the Parent company sees the possibility of returning to full performance of contracts in the event of the termination of obstacles preventing their execution.

On December 30, 2021, the Parent Company with consortium partners filed a lawsuit against PKP PLK seeking the amount of PLN 54,087 thousand plus statutory interest for the delay, in respect of claims related to the realization of the railway investment entitled "Realization of construction works under Tender No 1 Modernization of the Jaworzno Szczakowa-Trzebinia section (km 1,150 – 0,000 of line No 134, km 15,810 – 29,110 of line No 133)" under project "Modernization of railway line E 30, section Zabrze – Katowice – Kraków, Stage IIB." Claims include:

a) claims relating to the extended performance of the Contract;

b) a claim concerning the contractual indexation of the Contract Price;

c) supplementary and replacement works which have been carried out on the order of the Defendant;

d) claims concerning the non-cooperation of the Contracting Entity, i.e. in particular claims relating to the lack of track closures, delay in the acceptance of works.

The case is pending and at the present time it is difficult to predict when it will conclude.

Continued negotiations on claims

In the period of 2021, the Management Board of the Parent Company carried on negotiations with PKP PLK in order to settle the court disputes in an amicable manner. As at 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 at the date when the claim was filed), including the amount due to Trakcja, approximately PLN 120.3 million.

For the part of the contractual claims described above, the Parent Company conducts mediations with PKP PLK with the involvement of the General Prosecutor's Office as a 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 with capitalized interest as at the date when the claim was filed), including the amount due to Trakcja, approximately PLN 106.9 million.

In the period of 2021 and after the balance-sheet day, mediation meetings were continued in court proceedings and in the field of foundation piling. The parties shall be in the process of negotiating the value of the mediation settlement. According to the findings of the parties, the Railway Institute is still carrying out studies, additional to the initially defined scope of research, which, according to the findings of the Parties, are intended to form the basis for the settlement concerning foundation piles.

As at December 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 328.7 million, including the amount due to Trakcja being PLN 279.8 million.

Proceedings relating to subsidiaries

AB Kauno Tiltai

In 2015, against the consortium comprising AB Kauno Tiltai was filled a lawsuit by Inwestor AB Lietuvos geležinkeliai for a total amount of PLN 68,943 thousand (EUR 14,990 thousand; the amount was converted at the exchange rate at the balance sheet date), which was reduced by a court order to PLN 4,792 thousand (EUR 1 042 thousand; the amount was converted at the exchange rate at the balance sheet date). The share of the Trakcja Group in possible liabilities that could result from this proceeding was 65%. In the fourth quarter of 2021, the case was settled by a court and a settlement was signed under which Inwestor AB Lietuvos geležinkeliai waived his claims against the consortium.

5.4 Information on related parties

In 2021, 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.

The Industrial Development Agency (ARP), a 100% State-owned entity, had a joint control over the Parent Company as at the balance sheet date as a result of the powers contained in the statutes of the Parent Company. These powers expired at the end of 2021, and ARP currently has a significant influence on the Parent Company. Based on paragraph 25 of IAS 24 the Group benefits from exemption concerning disclosure of detailed information about transactions with the Treasury and with entities over which it has control or joint control or has significant influence.

As at 1 January 2022, some of the statutory powers of COMSA , which give it personal rights, inter alia relating to the appointment of members of the bodies of the Parent Company, expired. Detailed information are contained in the Statute of the Parent Company.

Total amounts of related-party transactions in the financial year:

Related entities	Financial year	Sale to related entities	Interest costs	Financial costs for updating the value of bonds	Other financial costs (including fees for structuring commissions)
Shareholders of parent entity					
COMSA S.A.U.	1.01.21-31.12.21	-	551	19	-
	1.01.20-31.12.20	214	535	12	-
Agencja Rozwoju Przemysłu S.A.	1.01.21-31.12.21	-	3 581	49	654
	1.01.20-31.12.20	-	1 847	32	-
Total	**1.01.21-31.12.21**	**-**	**4 132**	**68**	**654**
	1.01.20-31.12.20	**214**	**2 382**	**44**	**-**

Receivables from and liabilities to related parties as at the end of the financial year:

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders of parent company:					
COMSA S.A.U.	31.12.2021	95	88	8 500	241
	31.12.2020	95	88	7 930	241
Agencja Rozwoju Przemysłu S.A.	31.12.2021	-	15	20 147	86 806
	31.12.2020	-	92	20 096	27 651
Razem	**31.12.2021**	**95**	**103**	**28 647**	**87 047**
	31.12.2020	**95**	**180**	**28 026**	**27 892**

No guaranties 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.

5.5 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			
	31.12.2021 Audited		31.12.2020 Audited	
	In Parent company	In subsidiaries	In Parent company	In subsidiaries
Salaries and other current employee benefits	4 711	937	4 280	689
Total	**4 711**	**937**	**4 280**	**689**

Due to fact that the EBITDA and other targets set by the Parent Company's Supervisory Board were fulfilled, provision for benefits for Management Board members in the amount of PLN 1,356 thousand was made.

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 2021.

The Management Board members of Trakcja were not shareholders, controlling shareholders, jointly controlling shareholders, or shareholder exerting a significant impact on the entities other than members of Trakcja Group.

In 2021 and 2020, the Parent Company and the Group's management staff did not enter into any significant transactions. In 2021, no borrowings were granted to the Management Board members or Supervisory Board members of Trakcja.

As at 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			
	31.12.2021 Audited		31.12.2020 Audited	
	In Parent company	In subsidiaries	In Parent company	In subsidiaries
Salaries and other current employee benefits	1 146	548	1 104	534
Total	**1 146**	**548**	**1 104**	**534**

5.6 Significant events during the financial year and after the balance sheet date

Events during the financial year

Significant construction contracts	CR
11.02.2021 The Company and the Skarżysko-Kamienna Poviat, on behalf and for the benefit of which the County Roads Management Board in Skarżysko-Kamienna acts, 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. The net value of the contract is PLN 28,281 thousand. The Work is to be completed by 31.12.2022.	4/2021
17.02.2021 The Management Board of Trakcja S.A. 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 for the execution of the following construction works: "New wooden bridge over the Skellefteälven River".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 202,848 thousand (PLN 90,734 thousand - 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
09.04.2021 The Management Board of Trakcja S.A. has become aware of the bilateral signing on 08.04.2021 of Annexes and Agreements of a similar nature as the basic contract in connection with the agreement concluded on 10 January 2018 for realization of project documentation and exercising author's supervision over the execution of the Warsaw cross-city line reconstruction under the project POIiŚ 5.1-13 titled "Works on the Warsaw cross-city line on section Warszawa Wschodnia – Warszawa Zachodnia".The total net value of the Annexes concluded on 8 April 2021 shall amount to PLN 15,964 thousand net, and the share of Torprojekt Sp. z o.o shall amount to PLN 12,270 thousand net. The work is to be completed by 25 June 2029.	8/2021
28.05.2021 The Management Board of Trakcja S.A. informs that today an annex was signed by the Company with PKP Polskie Linie Kolejowe S.A. to the contract concluded on 16 August 2017, for the open tender for designing and performing construction works on the E20 railway line Siedlce-Terespol for the task titled "Works on the E20 railway line in the section Siedlce-Terespol, stage III-LCS Terespol". The total net value of the concluded Annex will amount to PLN 24,196 thousand.	15/2021
02.06.2021 The Management Board of Trakcja S.A. informs that in its capacity of a Consortium Partner, it has signed today with the Municipality of Olsztyn an agreement on the performance and finishing of construction work defined as „Expansion of the Tram Line in Olsztyn". The other Consortium participants are Polimex Mostostal S.A. and Polimex Infrastruktura sp. z o.o. (Consortium Leader). The net value of the contract amounts to PLN 327,776 thousand, where Trakcja S.A.'s share is 50% of the net contract value, i.e. PLN 163,888 thousand.	18/2021
05.07.2021 The Management Board of Trakcja S.A. informs that it has signed today with the City of Bydgoszcz a contract for the „Construction of a tram route connecting ul. Fordońska with ul. Toruńska, along with the expansion of the road layout and restructuring of the rail transport infrastructure in Bydgoszcz". The net value of the contract amounts to PLN 124,890 thousand.	26/2021
11.08.2021 The Management Board of the Company Trakcja S.A. informs that today a contract has been signed bilaterally between Trakcja S.A. and PKP Polskie Linie Kolejowe S.A. on the performance of construction works within the Project OPI&E 5.1-11.2 entitled: "Works on the railway line no. 7 Warszawa Wschodnia Osobowa – Dorohusk at the section Warsaw – Otwock – Dęblin – Lublin, stage II" the section Warszawa Wschodnia Osobowa – Warszawa Wawer. In compliance with the Contract, the value of works amounts to: PLN 366,155 thousand net. Conditional amount provided for hereunder amounts to: PLN 56,200 thousand net.	31/2021
18.08.2021 The Management Board of Trakcja S.A., acting in the capacity of Consortium Leader, informs that it has signed today with Generalna Dyrekcja Dróg Krajowych i Autostrad in Olsztyn [General Directorate for National Roads and Motorways] an annex for a supplementary contract to the basic contract entitled "Design and construction of the S-61 Szczuczyn-Budzisko Expressway (state border) with the following division of tasks: Task no. 2: Ełk Południe section hub - Wysokie hub (with an exit along the dk16 route). The estimated net value of the remuneration for the performance of additional work shall amount to PLN 23,118 thousand – which includes the amount of PLN 16,537 thousand net, for the Issuer. The actual value of the remuneration shall be confirmed by measurements.	33/2021
30.09.2021 The Management Board o f Trakcja S.A. hereby informs that today it received information about signing, o n September 30, 2021, b y the Issuer's subsidiary, AB Kauno Tiltai, with its registered office i n Lithuania, and Kaunas City administration (Kauno miesto savivaldybės administracija), o f a Contract for "performance o f construction works for the continuation o f the Ateities avenue from Palemono Street to T. Masiulio Street i n Kaunas, section 1 from Palemono Street (RP 23+38.07 to R P 38+5)". The total net value o f the Contract is equal to EUR 11,517 thousand (PLN 53,307 thousand).	42/2021

25.11.2021 Between the Issuer's subsidiary company AB Kauno Tiltai based in Lithuania as the Leader of the consortium composed of: - AB Kauno Tiltai – Leader of the consortium, - Litenergoservis – Partner of the consortium, based in Vilnius, Lithuania, and LITGRID AB (LITGRID Joint-Stock Company) based in Vilnius, Lithuania, further called the "Contracting Authority", a contract for the "Construction of an 330 kV overhead power line Darbėnai-Bitėnai" was bilaterally signed. The total net value of the concluded Contract is 46,930 thousand EUR (219,684 thousand PLN), of which AB Kauno Tiltai will receive the net amount of 32,851 thousand EUR (153,779 thousand PLN).	47/2021
29.11.2021 Two agreements for the "performance of physical barrier works on the territory of the Republic of Lithuania on the external border of the European Union and related services" have been bilaterally signed by the Issuer's subsidiary AB Kauno Tiltai with its registered office in Lithuania, as Leader of the consortium composed of: - AB Kauno Tiltai – Leader of the Consortium; - UAB "Alkesta" – Partner of the Consortium, and UAB "EPSO-G" (entity with the participation of the Ministry of Energy of the Republic of Lithuania). The total net value of the concluded Agreements is EUR 33 914 635.73 (PLN 159 337 741.59), therein the amount attributable to AB Kauno Tiltai will be EUR 16,957 thousand (PLN 79,669 thousand).	50/2021
14.12.2021 The settlement has been bilaterally signed by the Issuer, as Leader of the Consortium composed of: - Trakcja S.A. – Leader of the Consortium; - COMSA S.A.U. – Partner of the Consortium; with the Municipality of Kraków, represented by the Director of the Road Administration of the City of Kraków to an agreement on the execution of construction works: "Reconstruction of the tram tracks throughout the Krakowska Street on the section from the Rollego Street to the Dietla Street along with the reconstruction of the existing road system, sidewalks, paths, the accompanying technical infrastructure, the junction of switches Krakowska-Dietla-Stradomska along with the reconstruction of the Dietla Street on the section from the Bożego Ciała Street to the Augustiańska Street along with the reconstruction of the existing Piłsudskiego Bridge across the Vistula River". During the implementation of the contract objects under the protection of the monument conservator were found, which had a significant impact on the execution of the planned works. The change resulting from the Settlement concerns additional remuneration – the Ordering Party undertakes to pay the Contracting Party the amount of PLN 2 690 972.01 net on account of additional costs, the estimated impact on the results of the Company is about PLN 2 100 thousand.	52/2021

Refinancing process	**CR**
17.06.2021 The Management Board of Trakcja S.A. informs that Company has signed the documents on long-term financing, pursuant to which the Company: (i) has been granted a new, open-end credit of a total amount equal to PLN 52,983,000.00; (ii) has been granted a new, open-end loan of a total amount equal to PLN 52,746,000.00; (iii) the bank guaranty lines have been modified, inter alia, by extending their periods of availability. In particular, two new guaranties for returning an advance shall be issued, in amounts, as appropriate: PLN 30,067,215.94 and PLN 30,867,672.81. Additionally, as the Insurance Agreement on Joint Conditions has been modified, a new good performance guaranty shall be issued by insurance companies in an amount of PLN 30,067,216.67.	20/2021
24.06.2021 The Company's Management Board informs that on 24 June 2021 it has received notice from mBank S.A., acting in the capacity of credit agent, on the satisfaction on 24 June 2021 of the conditions precedent specified in the annex to the credit agreement dated 17 June 2021.	22/2021
20.12.2021 The Company has signed the annexes on long-term financing, as explained in Note 3.15 "Interest bearing loans and borrowings" herein.	53/2021

Other	**CR**
04.01.2021 The Company received a notification presented by COMSA 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
07.01.2021 The Company hereby announced dates of publication of periodic reports in 2021.	2/2021
22.01.2021 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 announced 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
03.03.2021 the sales price (PLN 53,000 thousand) for the Property has been paid, 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 thousand	6/2021

(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 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 established upon the Property which was the object of the sale, this will enable the removal of the mortgage in question.	
01.04.2021 The Company has decided to create a revaluation write-down for "Investments in subsidiaries" within the framework of the Company's standalone balance sheet in the amount of PLN 3,855 thousand and a revaluation write-down for "Goodwill from consolidation" within the framework of the Trakcja Group consolidated balance sheet in the amount of PLN 38,735 thousand.	7/2021
10.05.2021 The Company hereby infromed on convening the EGM of Trakcja S.A. to be held on 10 September 2021.	9/2021
24.05.2021 The Company has received from its stockholder, ARP notice on the concluding of a conditional understanding between ARP, PKP PLK and the State Treasury of the Republic of Poland – Minister of Infrastructure, which primarily concerns involvement with the Company, within the framework of which, inter alia, PKP PLK has committed itself to subscribe 250 million shares of the Company's stock for a total issue price in the amount of PLN 200 million.	10/2021
24.05.2021 The Company communicated inside information delayed on 26 November 2020 concerning the receipt of notice from ARP and PKP PLK that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of concluding an understanding between ARP and PKP PLK concerning, inter alia, the exercise of voting rights by ARP by reason of stock held in the Company's share capital in the manner agreed with PKP PLK, as regards the taking over of shares of stock of the new issue by PKP PLK.	11/2021
24.05.2021 The Company informed that on 25.11.2020 it received from ARP and PKP PLK notice that PKP PLK has exceeded 15% of the total number of votes in the Company as a result of adding votes at the disposal of ARP following the concluding of an understanding between ARP and PKP PLK stipulated.	12/2021
24.05.2021 The Company has received from its stockholder, ARP notice on the concluding of a non-binding understanding between the Company's stockholders, that is, ARP and COMSA, concerning primarily the acquisition by ARP or an entity under the direct or indirect control of the State Treasury of the Republic of Poland or another entity designated by ARP, previously approved by COMSA of all stock issued by the Company, held by COMSA at a particular moment. The Parties have also agreed in the understanding that ARP or the Designated Buyer shall acquire from COMSA all bonds issued by the Company, held by COMSA at a particular moment.	13/2021
24.05.2021 The Company has received from its stockholder, ARP a stockholder representing at least one tenth of the Company's share capital – a motion for supplementing draft resolutions concerning business introduced into the Agenda of the Company's EGM convened for 10 September 2021 accompanied by draft resolutions.	14/2021
31.05.2021 The Management Board of the Trakcja S.A. Company informs that on 31 May 2021 the Supervisory Board of the Company adopted resolutions, under which it appointed current four members of the Management Board of the Company i.e. Marcin Lewandowski, Paweł Nogalski, Aldas Rusevičius i Arkadiusz Arciszewski for a new, joint term of office.	16/2021
01.06.2021 The Management Board of Trakcja S.A. convenes the Ordinary General Meeting of Trakcja S.A. for 29 June 2021.	17/2021
07.06.2021 The Management Board of Trakcja S.A. informs that the venue of holding the Company's Extraordinary General Meeting, convened for 10 September 2021 has been changed.	19/2021
23.06.2021 The Management Board of Trakcja S.A. informs that the Company has concluded today a consulting agreement with KPMG Advisory Spółka z ograniczoną odpowiedzialnością sp.k., which marks the beginning of a review of strategic options for the Trakcja S.A. Group.	21/2021
29.06.2021 The Management Board of Trakcja S.A. announces the resolutions undertaken by the Company's Annual General Meeting, which was held on 29 June 2021.	23/2021
29.06.2021 The Management Board of Trakcja S.A. presents a list of shareholders holding at least 5% of the total number of voting rights at the Annual General Meeting held on 29 June 2021 in Warsaw.	24/2021
29.06.2021 The Management Board of Trakcja S.A. informs that on 29 June 2021, the shareholder of the Company, Agencja Rozwoju Przemysłu S.A. [Industrial Development Agency JSC], has submitted a written statement on the appointment – for a subsequent term of office – of Mr. Robert Sobków as Member of the Management Board, responsible for internal audit and Mr. Adam Stolarz as Member of the Management Board, responsible for the Company's key accounts.	25/2021
21.07.2021 The Management Board of Trakcja S.A. informs that on 21 July 2021 marks the completion of the cyclical review process of long-term contracts and collection of financial data for the purposes of preparing the Company's unit financial statements for the first half of the year ending on 30 June 2021.	27/2021
26.07.2021 Management Board of Trakcja S.A. announces that the Company has today received a notification submitted by COMSA as a person closely related to Fernando Perea Samarra, Miquel Llevat Vallespinosa and Jorge Miarnau Montserrat - members of the Supervisory Board of the Company, regarding pledges on stocks held by COMSA.	28/2021

26.07.2021 Management Board of Trakcja S.A. announces that on 26 July 2021, the Company received a statement from a stockholder, COMSA, to the effect that as of 27 July 2021: - The Stockholder dismissed Mr Fernando Perea Samarra from the Supervisory Board of the Company; and - The Stockholder appointed Mr Julio Alvarez Lopez to the Supervisory Board of the Company.	29/2021
10.08.2021 The Management Board of the Trakcja S.A. company informs that today the Company has received from a Member of the Management Board Mr. Robert Sobków a statement on the termination of the Management Contract concluded with the Company, with a 3-month notice period.	30/2021
16.08.2021 The Management Board of Trakcja S.A. informs that it has received a motion for the placement of certain items in the agenda of the Company's Extraordinary General Meeting convened for 10 September 2021 from the following shareholder: Otwarty Fundusz Emerytalny PZU "Złota Jesień" (which is a shareholder holding alone at least one twentieth of the Company's share capital).	32/2021
19.08.2021 The Management Board of Trakcja S.A. informs that it has received a statement today from Mr. Robert Sobków concerning his resignation from the post of Member of the Company's Management Board, effective as of 19 August 2021.	34/2021
20.08.2021 The Management Board of Trakcja S.A. informs that it has received a motion for the placement of certain items in the agenda of the Company's EGM convened for 10 September 2021 from the following shareholder: ARP (which is a shareholder holding alone at least one twentieth of the Company's share capital).	35/2021
08.09.2021 The Management Board of Trakcja S.A. informs that its shareholder, Otwarty Fundusz Emerytalny PZU „Złota Jesień" has nominated Ms. Magdalena Komaracka as a candidate in the election of a member of the Supervisory Board at the Company's EGM.	36/2021
10.09.2021 The Management Board of Trakcja S.A. makes public the content of the resolutions adopted by the Company's EGM held on September 10, 2021, together with the results of voting.	37/2021
10.09.2021 The Management Board of Trakcja S.A. informs that on September 10, 2021 the EGM of the Company adopted resolutions by means of which it: (i) dismissed Mr Michał Hulbój from the Company's Supervisory Board, (ii) appointed Ms Magdalena Komaracka as a member of the Supervisory Board of the Company.	38/2021
10.09.2021 The Management Board of Trakcja S.A. in Warsaw provides the list of shareholders holding at least 5% of the total number of votes at the EGM of the Company held in Warsaw on 10 September 2021.	39/2021
10.09.2021 The Management Board of Trakcja S.A. informed about the resolution of the EGM of 10 September 2021 on convening the EGM, the Management Board convenes the EGM of Trakcja S.A. on 29 November 2021.	40/2021
27.09.2021 The Management Board of Trakcja S.A. submitted the notification from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of the shareholder - Otwarty Fundusz Emerytalny PZU "Złota Jesień" ("OFE PZU"), about the reduction by OFE PZU of its share below 5% in the total number of votes in the Company.	41/2021
12.10.2021 The Management Board of Trakcja S.A. informs that on October 12, 2021, the Company signed a sale agreement pursuant to which the Company sold to Dantex spółka z ograniczoną odpowiedzialnością sp. k. the right of perpetual usufruct of real estate located at ul. Oliwska 11 in Warsaw for the price of PLN 25,000,000.00 net.	43/2021
22.10.2021 The Management Board of Trakcja S.A. informs that on October 22, 2021 marks the completion of the cyclical review process of long-term contracts and collection of financial data for the purposes of preparing the Company's unit financial statements, and consolidated financial statements of the Group for the third quarter of 2021, that is, from 1.07-30.09.2021 and for the 9-month period ending on September 30, 2021	44/2021
27.10.2021 The Management Board of the company Trakcja S.A. hereby informs that today the Management Board of the Company passed a resolution on converting some of the C series registered shares of the Company held by the Applicants into bearer shares in the total number of 12,335,891, comprising 92,939 C series registered shares held by ARP and 12,242,952 C series registered shares held by COMSA.	45/2021
19.11.2021 ARP undertook to purchase all, held by COMSA at a given moment, shares in the share capital of the Company and bonds issued by the Company, and COMSA undertook to sell them under the terms specified in the Agreement, at the same time making the carrying out of the Transaction dependent on the fulfilment of a number of conditions precedent specified in the Agreement. The Agreement was concluded assuming that shareholders of the Company would adopt a resolution on increase of the share capital of the Company from the amount of PLN 69,160,780.80 to the amount of PLN 269,160,780.80 through the issue of 250.000.000 new E series ordinary shares with a value of PLN 0.80 each.	46/2021
29.11.2021 EGM of the Company convened on November 29, 2021 has announced a break in the session until December 21, 2021. The Announcement of a break occurred in connection with the request to announce a break in the session of the EGM notified by the shareholder ARP.	48/2021

29.11.2021 The Management Board of the Company submitted the list of shareholders holding at least 5% of the total number of votes at the EGM of the Company, which took place on November 29, 2021.	49/2021
07.12.2021 The Management Board of the Warsaw Stock Exchange S.A. resolved to introduce as of 13 December 2021 to stock exchange trading in the primary market 12,335,891 series C ordinary bearer shares of the Trakcja S.A. company with a nominal value of PLN 0.80 (eighty grosz) each.	51/2021
21.12.2021 The Company informed that the EGM convened for 29 November 2021, and which has renewed its proceedings today following a recess, has announced another recess in its proceedings until 29 December 2021. The recess has been announced upon demand of the shareholder ARP.	54/2021
21.12.2021 The Company provided a listing of shareholders holding at least 5% of the total number of votes at the EGM of the Company, held on 21 December 2021.	55/2021
21.12.2021 The Company communicated inside information delayed on 23 November 2021. Issuer has reached the decision to submit a motion with its subsidiary, AB Kauno tiltai, for convening its general meeting for 23 December 2021 with a view of adopting a resolution by the general meeting of AB Kauno tiltai as regards the distribution of a dividend for a period shorter than the financial year, that is, for the period from January to September 2021, along with undistributed profits from previous years. Ultimately, the requested amount of the dividend has been set out by the Issuer's Management Board in the amount of EUR 9,999,769.32.	56/2021
23.12.2021 The Company informed that the general meeting of AB Kauno tiltai established in Kaunas, Lithuania, has adopted today a resolution as regards the distribution of a dividend for a period shorter than the financial year, that is, for the period from January to September 2021, along with undistributed profits from previous years in the amount of EUR 10,000 thousand	57/2021
29.12.2021 The Company announced the contents of the Resolution passed by the EGM with results of voting that was held on 29 December 2021 after the adjournment ordered on 21 December 2021.	58/2021
29.12.2021 The Company provided the list of shareholders with at least 5% of the general number of votes at the EGM of Shareholders held on 29 December 2021.	59/2021
30.12.2021 The Company was informed of the notification submitted by the Company's shareholders – ARP and COMSA, in which they inform that pursuant to the concluded Annex the Parties extended the expiry date of the concluded a preliminary contract on sales of shares and a conditional contract on sales of bonds issued by the Company to the 31.01.2022 in case of a failure of the Company's General Meeting of Shareholders to pass a resolution concerning an increase in the Company's share capital from PLN 69,160,780.80 to PLN 269,160,780.80 by issuing 250,000,000 new E series ordinary shares with a value of PLN 0.80 each.	60/2021

Events after balance sheet date

After balance sheet date there were no events that should be disclosed in the accounting records for the financial year.

Significant construction contracts	CR
05.01.2022 The Management Board of Trakcja S.A. informed that following the conduct of a procedure for the award of a public contract in the form of an unlimited tender, the Company has signed today the following agreement with the City of Łódź – Municipal Investments Administration with its seat in Łódź: "Expansion of the road and rail system along the route: ulica Ogrodowa – ulica Północna at the segment from ulica Zachodnia to ulica Franciszkańska, along with the reconstruction of the tram junction at ulica Północna". The net value of the contract amounts to PLN 37,015 thousand.	1/2022
10.02.2022 The Management Board of the Company Trakcja S.A. informed that today, a contract on 'The reconstruction project and construction works 330/110/10 kV of the transformer substation Jonava' has been bilaterally signed by the Issuer's subsidiary AB Kauno Tiltai with its registered office in Lithuania and LITGRID AB (LITGRID Joint-stock Company) with its registered in Vilnius, Lithuania. The total net value of the concluded Contract amounts to EUR 19,940 thousand (PLN 89,489 thousand).	9/2022
07.03.2022 The Management Board of Trakcja S.A. informed that today, the Company together with the following consortia: AB Kauno tiltai with its registered office in Kaunas, Lithuania and Masfalt sp. z o.o. with its registered office in Pruszków (hereinafter jointly referred to as 'the Contractor') concluded a settlement with the Employer, i.e. the Treasury – the General Directorate for National Roads and Motorways concerning the dispute with regard to the execution of the investment entitled 'Expansion of national road no. 22 at Czarlin – Knybawa section'. As a result of concluding the settlement, the Employer will pay the Company the amount of PLN 4,989 thousand gross. Conclusion of the settlement will have a positive impact on the financial result of the Company and the Group for the 1st quarter of 2022 in the amount of PLN 926 thousand.	11/2022

14.03.2022 The Management Board of Trakcja S.A. informed that Trakcja S.A. has signed today the following contract with the City of Łódź – Municipal Investments Administration with its seat in Łódź: "Expansion of Plac Wolności , along with its technical infrastructure, transfer and maintenance of the spring, street furniture and planting, as well as the construction of roofing over the entrance of the "Detka" Canal Museum – Branch of the Łódź City Museum. The net value of the contract amounts to PLN 27,169 thousand; conditional sums under this Agreement amount to a total of PLN 1,620 thousand net.	13/2022

Other	**CR**
11.01.2022 The Management Board of Trakcja S.A. announced the dates of publication of periodic reports in 2022.	2/2022
14.01.2022 The Management Board of Trakcja S.A. informed that it has been advised today that on 8 January 2022 the District Court for the Capital City of Warsaw, Warsaw, XII Business Division of the National Court Register has registered the amendments to the Memorandum, as adopted under Resolution No. 7 of the Extraordinary General Meeting of the Company on 10 September 2021.	3/2022
21.01.2022 The process of preliminary closure of the accounts ended, including the process of reviewing long-term contracts and collecting financial data for the purposes of drawing up a yearly separate financial statement of the Company for 2021. Therefore, the Company announced preliminary estimated financial results of Trakcja for 2021.	4/2022
31.01.2022 The preliminary analysis of the available financial results of individual units of the Issuer's Group was completed and collecting financial data for the purposes of drawing up a consolidated financial statement of the Trakcja Group for 2021. Therefore, preliminary estimated consolidated financial results of the Trakcja Group for 2021 had been announced.	5/2022
31.01.2022 ARP - the Shareholder representing at least one twentieth of the Company's equity capital - made a request to convene the EGM of the Company on 8 April 2022 withe agenda including the point concerning passing the resolution on increasing the Company's equity by issuing E series bearer shares by private placement with full exclusion of the pre-emptive right of current shareholders.	6/2022
31.01.2022 The Company convened the EGM of Trakcja S.A. on 8 April 2022.	7/2022
01.02.2022 Shareholders of the Company - ARP and COMSA submitted the notification in which they informed that pursuant to the concluded Annex the Parties extended the expiry date of concluded preliminary contract of sales of shares and conditional contract of sales of bonds issued by the Company in case of failure of the Company's share capital by issuing 250,000,000 new E series ordinary shares with a value of 0.80 PLN each.	8/2022
22.02.2022 The Company decided to establish a write-down for 'Investments in subsidiaries' in the Company's standalone balance sheet in the amount of PLN 18,513 thousand.	10/2022
11.03.2022 The Company's Supervisory Board passed resolutions on the grounds of which it has appointed the following Members of the Company's Management Board: Mr Marcin Lewandowski – President of the Management Board, Mr Aldas Rusevičius – Vice-President of the Management Board and Mr Adam Stolarz – Member of the Management Board. Furthermore, SB passed resolutions on the grounds of which it has appointed the following Members of the Company's Management Board: Mr Jakub Lechowicz to the position of the President of the Management Board and the Managing Director, Mr Piotr Mechecki to the position of the Vice-President of the Management Board and the Director responsible for the Company's Key Accounts, and Mr Jacek Gdański to the position of the Vice-President of the Management Board and the Internal Audit Director.	12/2022
16.03.2022 The Management Board of Trakcja S.A. has provided an information about the impact of war in Ukraine on the economic activity and financial results of the Company and Trakcja Group.	14/2022
25.03.2022 The Management Board of Trakcja S.A. with reference to the CR 2/2022 of January 11, 2022, informs that the date of publication of the individual annual report and the consolidated annual report for the financial year 2021, originally planned for March 31, 2022, has been postponed as of April 29, 2022. The remaining dates of publication of periodic reports remain unchanged.	15/2022
04.04.2022 Further to CR 6/2022 and 7/2022, the Management Board of Trakcja S.A. hereby transmits the opinion of the Company's Management Board, which justifies the depriving of Trakcja S.A. shareholders of pre-emptive rights for series E shares and concerning the manner of determining the issue price of series E shares, which shall be a part of the documentation for the next Extraordinary General Meeting of the Company convened for 8 April 2022.	16/2022
08.04.2022 The Management Board of Trakcja S.A. hereby announces the contents of resolutions adopted by the EGM, along with the results of voting, which was held on 8 April 2022.	17/2022
08.04.2022 The Management Board of Trakcja S.A. provided a listing of shareholders holding at least 5% of the total number of votes at the Extraordinary General Meeting of the Company, held on 8 April 2022, Warsaw.	18/2022
08.04.2022 The Management Board of Trakcja S.A. in connection with the submitted the relevant motion on April 8, 2022 by ARP - a shareholder which represents at least one twentieth of the	19/2022

Company's share capital - demanding the convening of EGM of the Company, the Management Board convened the EGM of Trakcja S.A. for May 6, 2022.	
20.04.2022 The Management Board of Trakcja S.A. informed that on 20 April 2022, as a result of a modification of the accepted estimates in the process of preparation of the financial statements, there has been a significant modification of published preliminary estimates of the Company's and Group's financial performance for the fourth quarter of 2021 and for the 12-month period ending on 31 December 2021, as published by the Company, respectively in CR nos. 10/2022 and 5/2022. The previously published estimates of the Company's and Group's financial performance for the foregoing periods have been modified primarily due to the following: 1. Modification of estimates concerning provisions for adjustment work with regard to two railroad contracts; 2. Modification of estimates concerning provisions for employee bonuses for 2021; 3. Modification of estimates concerning the impairment of value of receivables for past-due supplies and services over 365 days; 4. Modification of estimates concerning performances set out in the budgets of two contracts in accordance with settlements reached after the balance sheet date.	20/2022
22.04.2022 The Management Board of Trakcja S.A. informed that the date of publishing the unit's annual report and consolidated annual report for financial year 2021, originally scheduled for 29 April 2022, has been rescheduled for 27 April 2022.	21/2022

The current and expected impact of COVID-19 on the financial situation, results, cash flow

The explosion and development of the SARS CoV-2 pandemic in Poland and on other markets in which the Group carries out economic activities, had little impact on the Group's operations and financial results during the period of 2021.

The ongoing SARS CoV-2 pandemic, which has so far resulted in, inter alia, transport reductions and destabilization of supply of components and raw materials, may lead to delays in the execution of orders by the Group on the basis of contracts under which the companies of the Group act as contractor or subcontractor; consequently, it may translate into the risk that contracting entities may claim payment of contractual penalties by the Company for the untimely completion of orders.

Although, at the date of approval of these financial statements for publication, both counterparties and financial institutions maintain business continuity, the further spread of SARS CoV-2 and the change in the working arrangements of the Group's counterparties, courts and institutions financing the Group may lead to longer decision-making processes and in this context, it may indirectly affect the Group's current activities, in particular by:

- obstruction of access by the Company to funds from the securities market,
- the need to change the delivery dates of the selected imported materials,
- reducing 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 Group's ability to obtain the funds necessary to perform its financial obligations and to obtain new orders in the event, that the Group 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 contracting entities, as a consequence of the pandemic, may affect the financial perspectives of the Group in subsequent financial periods. In the Group's assessment, the possibility of those risks occurring is medium and as at the approval date of publication of these financial statements, the Group is unable to estimate the impact of these risks on the future financial results and cash flows of the Group.

The COVID-19 pandemic may affect future valuation of the Group assets, including the result of impairment tests on investments in subsidiaries. Note 3.3 of these financial statements presents the possible effects of a pandemic on the test results.

In the event of any significant impact of the pandemic on the Group's financial and asset situation, the Company's Management Board of Trakcja will inform the stakeholders with an appropriate stock exchange announcement.

5.7 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.

5.8 Headcount

Average headcount at the Group

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Average employment in the Capital Group during the period:		
Management Board of Parent entity	6	6
Management Boards of subsidiaries	15	17
Administration	293	290
Sales department	33	32
Production division	1 097	1 213
Machine Operators	215	223
Technical staff	214	156
Other employees	372	408
Total	**2 245**	**2 345**

Headcount at the Group as at balance sheet date

	31.12.2021 Audited	31.12.2020 Audited
Employment in the Capital Group at the balance sheet date		
Management Board of Parent entity	5	6
Management Boards of subsidiaries	15	16
Administration	278	271
Sales department	32	109
Production division	1 072	1 056
Machine Operators	210	225
Technical staff	216	206
Other employees	344	364
Total	**2 172**	**2 253**

5.9 Assets and liabilities of the company's 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 subsidies 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:

	31.12.2021 Audited	31.12.2020 Audited
Loans granted to employees	51	180
Cash	2 580	1 778
Prepayments	-	13
Liabilities attributable to the Fund	(2 597)	(2 284)
Balance after compensation	**34**	**(313)**
Contributions to the fund during the financial period	**1 994**	**1 663**

5.10 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 Postępu 12 Street.

On August 18, 2021 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, 2021 in accordance with the International Accounting Standards,
- the audit of the separate and consolidated annual financial statements as at December 31, 2021 in accordance with the International Accounting Standards,
- the examination of the separate and consolidated half-yearly financial statements as at June 30, 2022 in accordance with the International Accounting Standards,
- the audit of the separate and consolidated annual financial statements as at December 31, 2022 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 Group is presented in the table below.

	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
On account of agreement for financial statement audit	384	334
On account of agreement for financial statement review	109	108
On account of other agreements	44	40
Total	**537**	**482**

Warsaw, April 27, 2022

Jakub Lechowicz

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Arkadiusz Arciszewski

Vice-President of the Management Board

Piotr Mechecki

Vice-President of the Management Board

Jacek Gdański

Vice-President of the Management Board

Person responsible for preparing the report:

Katarzyna Kocerka

Financial Reporting Director
Trakcja Group