TRAKCJA GROUP

RAILWAY
ROADS
CIVIL

MANAGEMENT REPORT ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP AND TRAKCJA S.A. IN 2021

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

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

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

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The figures presented in this Management Report on the activities of Trakcja Capital Group and Trakcja S.A. are presented in thousands of Polish zlotys, except for the items clearly indicated otherwise. Financial information contained in this report is derived from the consolidated and separate financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") endorsed by the European Union, issued and effective as at 31 December 2021. We would also like to emphasise forward-looking statements (e.g. may, will, expect, consider, estimate), because they are based on certain assumptions subject to risk and uncertainty. Therefore, the Trakcja Group and Company are not responsible for such information.

1. STRUCTURE OF TRAKCJA CAPITAL GROUP

1.1. General information on the Group

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

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

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

Głównym atutem Grupy jest:

The Group's core strengths are:

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

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

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

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

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

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

In addition, the Group constructs traction substations for tram, trolleybus and rail.

1.2. Structure of the Group

Trakcja S.A. ("Trakcja", "Company" or "Parent Company") is the parent company of Trakcja Group. The Group's composition and structure as at 31 December 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.

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

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

Fully-consolidated entities:

PRK 7 Nieruchomości sp. z o.o. („PRK 7 Nieruchomości")

Trakcja owns 100% of the share capital of this company.

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")

Trakcja owns 82,35% of the share capital of this company.

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

BTW sp. z o.o. („BTW")

Trakcja owns 100% of the share capital of this company.

The BTW's business activities include thermite welding, repairing and renovating turnouts, renovating railway and tramway crossings, providing pre-stressed, glued insulation joints type S, welding tram and railway tracks, tamping and profiling railway and tramway tracks.

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

Trakcja owns 100% of the share capital of this company.

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. PEUiM specialises in the construction of roads and pavements, and in the installation of signalling and safety devices to secure the roads. The company also manufactures bituminous mass for own needs and for the needs of external entities..

Dalba sp. z o.o. („Dalba")

Trakcja owns 100% of the share capital of this company.

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

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

Trakcja owns 94,62% of the share capital of this company.

PDM is a company with its registered office in Białystok, whose deals with construction works and recruiting employees, mainly from the Eastern European market. The company also provides equipment and real estate rental services for external companies.

Grupa AB Kauno Tiltai

Trakcja owns 98,09% of the share capital of this company.

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

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

AB Kauno Tiltai Group is composed of the following entities:

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

Establishment of Trakcja S.A. in Ukraine

In 2017 Trakcja S.A. opened an establishment in Ukraine. The plant did not conduct operating activities in the years 2020-2021.

Trakcja Ukraina sp. z o.o. („Trakcja Ukraina")

PDM owns 100% of the share capital of this 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. 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 par. 6-9 in IFRS 5 have been met, therefore, as at December 31, 2021, the Group classified all assets and liabilities of this subsidiary as held for sale.

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.

1.4. Description of changes in the Group's structure in 2021 with an indication of their effects and after the balance sheet date

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

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.

1.5. Changes in the basic principles of the Company and Group management

In 2021, Trakcja followed the second phase of the Recovery Plan initiatives, under which reported 85 strategic, operational, corporate and disinvestment initiatives. In 2021, the Company completed 51 initiatives that contributed to process optimization and cost savings.

In 2021, the Company expanded the functionality of the IT systems deployed to support business processes: Webcon and Enova 365. A number of processes have been transferred into electronic flow which, especially during the pandemic and remote work, entails more efficient operation of the Company. The Parent Company plans to implement a new ERP system during 2022, which will further improve existing processes and allow for labor optimization and more efficient use of human capital.

In 2021, the Parent Company carried out a corporate social responsibility strategy, taking into account in particular the ongoing dialog with stakeholders and the business environment. The activities undertaken by the Parent Company were aimed at concern for the natural environment and welfare of the communities affected by the activities and investments of the Parent Company.

In 2021, the Parent Company implemented Risk Management Policies and Procedures. The internal control mechanisms and standards, as set out and described in the documents concerned, ensure an effective and ongoing assessment of risks by risk owners, which shall then be reviewed by the Internal Audit and Risk Management Department of the Parent Company. Each month, project risks are assessed on a case-by-case basis, and the risks of corporate processes are analyzed and evaluated on a quarterly basis: management processes, core business processes, and support processes. Key strategic risks are controlled by the Company's Management Board. In the same period, a consolidated report is prepared every quarter and sent to the

Management Board and the Supervisory Board of the Company. A transparent feedback flow and monitoring of implementation recommendations for corrective actions enables continuous improvement of key management processes. At the same time, this indicates a proactive approach to the strategic management and proper response of the Parent Company and the Group to changes in the external business environment, as well as within the Parent Company and the Group. The policy and risk management system adopted by the Parent Company presumes the generally accepted model of three lines of defence, applied along with the rule of good corporate governance practices as regards allocation of rights and responsibility. The implementation of the Risk Management Policy and Procedure within the whole Group is scheduled for 2022.

A certification audit of the Integrated Management System (IMS) was carried out in the Parent Company from 14 March to 22 March 2022, which included:

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

The audit verified the functioning of the implemented IMS against the requirements of the above mentioned ISO standards and the documentation of the company management system.
The certification audit was carried out by a panel of auditors from the certifying body Dekra Certification; it has been successfully completed and application for certificates attesting the proper functioning of the three above mentioned Management Systems in the Parent Company has been submitted. Certificates will be issued in May 2022.

2. BUSINESS OF TRAKCJA GROUP

2.1. Key products, goods and services

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

Comprehensive modernisation of railway lines

Modernisation of the railway lines includes:

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

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

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

Road infrastructure construction

These activities include:

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

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

Power engineering construction

These activities include:

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

Cubature construction

Capacity construction implemented within Trakcja Group comprises:

- public utility buildings,
- industrial facilities.

Property development activities

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

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

Other activities

Other activities include:

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

Order backlog

As at 31 December 2021, Company's construction order backlog stood at PLN 1,483 million (excluding the portion of revenue attributable to consortium members). In 2021, the Company signed construction contracts with a total value of PLN 768 million (excluding the value of work attributable to consortium members).

Moreover, in 2021 the Parent Company submitted the most advantageous offers in public tenders (not resolved by the date of publication of this report) for the total amount attributable to the Company of PLN 84 million.

As at 31 December 2021 the Trakcja Group's construction order backlog stood at PLN 2,171 million (excluding the portion of revenue attributable to consortium members). In 2021, the Trakcja Group companies signed construction contracts with a total value of PLN 1,371 million (excluding the value of work attributable to consortium members).

As at 31 December 2021, the Company's and Trakcja Group's order backlog ensures full utilisation of production capacity in the next financial year. Participation in new tenders in 2022 will enable the Group and the Company to secure its order backlog for subsequent periods to an even greater extent.

The largest contracts executed by Trakcja Group in 2021 are presented in the table below (the contract amount indicated taking into account the value of work to be performed by the consortium members):

No.	Name of the contract	Net amount of the contract (mln PLN) *	Type of work
1.	Project and construction of the S61 express road in Szczuczyn-Budzisko (National border) with the division into tasks: Task No. 2: section Ełk Południe node - Wysokie node (along with the wyplot along the national road 16)	684	road
2.	Execution of construction works in LCS Łowicz – section: Sochaczew – Żychlin and section: Placencja – Łowicz Główny as part of the task "Works on the E20 railway line on the Warszawa-Poznań section – other works, section: Sochaczew-Swarzędz"	522	railway
3.	Modernization of the E30/C-E30 railway line on the Kraków – Rzeszów section, stage III (Dębica - Sędziszów Małopolski)	430	railway
4.	Design and execution of construction works on the E20 railway line, section: SiedlceTerespol within the task "Works on the E20 railway line on the Siedlce - Terespol section, stage III - LCS Terespol"	425	railway
6.	Reconstruction of the railway line No. 7 Warszawa Wschodnia - Wawer	422	railway
7.	Execution of design and construction works under the project entitled "Revitalization of railway lines No. 694/157/190/191 Bronów - Bieniowiec - Skoczów - Goleszów - Cieszyn / Wisła / Głębce" Partial order A: Design and execution of construction works on the Bronów - Wisła - Głębce section	422	railway
8.	Designing and execution of construction works as part of the project "Works on railway lines No. 140, 148, 157, 159, 173, 689, 691 on the section Chybie - Żory - Rybnik - Nędza / Turze"	395	railway
9.	Development of detailed designs and execution of works for LCS Warszawa Okęcie as part of the Project POIiŚ 7.1-19.1.a. pn. "Modernization of the railway line No. 8, section Warsaw Okęcie - Radom (LOT A, B, F)"	384	railway
10.	Reconstruction of track systems together with accompanying infrastructure on the E59 railway line, Stargard - Szczecin Dąbie section as part of the project "Works on the E59 railway line on the Poznań Główny - Szczecin Dąbie section"	362	railway
11.	Modernization of the E30/C-E30 railway line on the Kraków – Rzeszów section, stage III; Sędziszów Małopolski – Rzeszów Zachodni section, km 133,600 – 154,900	313	railway
12.	"Reconstruction of track layouts along with accompanying infrastructure on the E59 railway line section Poznań Główny - Rokietnica" as part of the project "Works on the E 59 railway line on the Poznań Główny - Szczecin Dąbie section" (Updated contract value, not including the contingent amount)	295	railway

13.	Implementation of construction works under the Tender No. 1 - Modernization of the Jaworzno Szczakowa - Trzebinia section (km 1,150 - 0.000 line No. 134, km 15,810 - 29,110 lines No. 133) as part of the project "Modernization of the E 30 railway line, Zabrze section - Katowice - Kraków, stage IIb "	265	railway
14.	Design and construction of the S-5 expressway on the section from the Szubin junction (with the junction) to the Jaroszewo junction (with the junction) of about 19.3 km in length	246	road
15.	330 kV Darbėnai - Bitėnai overhead line construction work	216	energy
16.	Task A: Preparation of project documentation and execution of the construction works under the project „Revitalization of railway line no. 405, section: voivodeship border – Słupsk–Ustka", Task B: Design and building of railway traffic control equipment from railway station Szczecinek km 71,480 to km 104,515 within the project „Increase of safety and liquidation of operating dangers at the rail network"	179	railway
17.	Modernization of the E59 railway line on the Wrocław - Poznań section, stage III - section Czempiń - Poznań	165	railway
18.	Extension of tram lines in Olsztyn	163	tram
19.	Reconstruction works of Vilnius airport	124	road
20.	Reconstruction of the A1 Vilnius-Kaunas-Klaipeda road 99.29 - 100.47 km	122	road
21.	Construction of a tram route connecting ul. Fordońska with ul. Toruńska along with the expansion of the road system and reconstruction of the rail transport infrastructure in Bydgoszcz	120	energy
22.	Reconstruction of the roundabout with the preparation of the works project at the intersection of Baltijos ave, Silutes pl. (including the entrance to Dubysos St.) and Wileńska St.	118	road
23.	Order regarding the design and execution of construction works - optimization of the energy transmission network in north-eastern Lithuania and its preparation for the operation of a synchronous transmission network in continental Europe (order No. 189494)	117	energy
25.	Preparation of design documentation and construction works related to the construction of the Warszawa Główna station as part of the OPI & E 5.1-13 project: "Works on the cross-city line in Warsaw on the Warszawa Wschodnia - Warszawa Zachodnia section"	106	railway

* updated contact value

2.2. Sales structure

Sales structure by type of works, as well as manufacturing and other activities in 2020 and 2021 are presented in the tables below:

Sales structure of the Company:

	2021		2020	
	value	share	value	share
Railway works	564 707	71,2%	512 852	78,6%
Road works	167 802	21,2%	68 402	10,5%
Bridge works	8 385	1,1%	-	0,0%
Tramway works	24 747	3,1%	41 475	6,4%
Energy works	5 532	0,7%	8 951	1,4%
Production	14 179	1,8%	13 144	2,0%
Other areas of activity	7 410	0,9%	7 929	1,2%
Total revenues from sales	**792 762**	**100%**	**652 753**	**100%**

Sales structure of the Group:

	2021		2020	
	value	share	value	share
Railway works	644 819	45,3%	531 576	39,7%
Road works	479 942	33,7%	476 564	35,6%
Bridge works	167 097	11,7%	173 837	13,0%
Cubature works	23 498	1,6%	35 923	2,7%
Tramway works	24 747	1,7%	42 696	3,2%
Energy works	42 874	3,0%	52 447	3,9%
Development works	12 620	0,9%	-	0,0%
Production	22 034	1,5%	25 317	1,9%
Other areas of activity	7 210	0,5%	622	0,0%
Total revenues from sales	**1 424 841**	**100%**	**1 338 982**	**100%**

2.3. Market and supply sources

Geographical structure of Company's sales in 2020 and 2021 is presented in the table below:

Allocation of revenues by country	Year ended	
	31.12.2021 Audited	31.12.2020 Audited
Poland	791 893	651 605
Hungary	9	-
Germany	402	1 148
Ukraina	458	-
Total	**792 762**	**652 753**

Geographical structure of Trakcja Group's sales in 2020 and 2021 is presented in the table below:

Allocation of revenues by country	Year ended	
	31.12.2021 Audited	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**

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

The structure of customers indicates that the Group is dependent on PKP PLK S.A. whose orders in the period from January 1, 2021 to December 31, 2021 accounted for approximately 40% of the Group's consolidated revenue. On the other hand, approximately 12% of the Group's revenue in 2021 was earned from the implementation of projects for the GDDKiA.

The structure of suppliers in the period under review shows that the Group is not strongly dependent on any of its counterparties. In 2021, no supplier accounted for more than 10% of the value of materials and services purchased by the Group.

2.4. Events of 2021

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 (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.	6/2021
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

2.5. Major events and achievements of Trakcja Group, which have a significant impact on the activity

Long-term contracts for construction services performed by the companies within the Group have a major impact on their financial performance in 2021 and in the following years. The main contracts carried out during the year 2021 are presented in note 2.1 hereof. Information on relevant construction contracts concluded during the year 2021 is presented in note 2.6 hereof. Significant events after the balance sheet date are presented in note 5.10 hereof.

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

In 2021, under phase II of the Recovery Plan Trakcja completed 51 of 85 initiatives that contributed to process optimization and cost savings. All initiatives have been divided into three types: strategic (5), corporate (30), operational (45) and disinvestment (5). Among implemented initiatives, the following are worth mentioning: uniformization of the wage system, digitalization of processes within the undertaking, reduction of expenses at every level of the undertaking's operations, fleet optimization, more efficient recording and accounting of working time, which has translated into effective analysis of expenses and evaluation of productivity.

In 2021, the Parent Company took a number of actions aimed at improving the Company's financial liquidity:

1. on March 3, 2021, Trakcja received payment for the sale of the property on Lotnicza 100 Street in Wrocław, totaling PLN 53,000 thousand as a result of which it repaid the total liabilities due to working capital credit (in the amount of PLN 50,000 thousand plus interest);
2. under the contract for "Execution of project and construction works under the project entitled: "Renovation of railway lines No. 694/157/190/191 Bronów – Bieniowiec – Skoczów – Goleszów – Cieszyn/Wisła Głębce. Partial order A: Design and execution of construction works on the Bronów - Wisła - Głębce", Trakcja received the inflow of cash:
    a. on July 13, 2021, due to the advance payment in the gross amount of PLN 30,067 thousand,
    b. on July 14, 2021, due to the release of security related to proper performance guarantee in gross amount of PLN 30,067 thousand;
3. on August 3, 2021, under the 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 DK 16)", Trakcja received an advance of PLN 30,868 thousand gross;
4. on October 12, 2021, the contract of sale was signed by Trakcja, on the basis of which it sold the right of perpetual usufruct of property located in Warsaw on Oliwska 11 Street in Warsaw for the price of PLN 25,000 thousand.

In addition, during 2021, the Parent Company carried out intensive activities to raise equity and debt financing. The details are described in note 1.7 of the annual standalone financial statements of Trakcja for the financial year 2021 and in note 1.8 of Trakcja Group's annual consolidated financial statements for the financial year 2021.

COVID-19 impact on financial position, results and cash flow in 2021

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. In 2021, the Group continued to work on ongoing construction contracts and the cases of employee infections did not affect the Group's operations.

The Group companies' management boards are however doing everything in their power to minimize the effects of the present pandemic for the Group by, inter alia, diversifying suppliers of materials or by applying sanitary restrictions at sites or offices. From October 26, 2020, the Parent Company shall apply the instructions for preventive measures against spread of COVID-19 epidemic in Trakcja S.A., which shall determine the rules for the organization of work according to the degree of epidemiological alert announced in the Company.

The situation of COVID-19 epidemic is, in the opinion of the Management Board of the Parent Company, an important risk factor, the potential realization of which may adversely affect the Group's operations, the timely implementation of projects and the level of the Group's operating costs in the following year.

Risk associated with the war in Ukraine

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. Details are given in note 2.10.

2.6. Significant contracts

2.6.1. Significant construction contracts

Key construction cotracts signed by the Trakcja Group companies in 2021 (the contract indicated taking into account the value of work to be performer by consortium members):

No.	Name of the contract	Net amount of the contract (mln PLN) *	Company	Contract type
1.	Reconstruction of the railway line 7 - Warszawa Wschodnia - Wawer	422	Trakcja S.A.	railway
2.	Expansion of tram lines in Olsztyn	164	Trakcja S.A.	tram
3.	Construction of the 330 kV Darbėnai-Bitėnai overhead power line	153	AB Kauno tiltai	energy
4.	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	125	Trakcja S.A.	tram
5.	New wooden bridge over the Skellefteälven river	91	AB Kauno tiltai	bridge
6.	Construction works of the 1st section from Palemono st. (PK 23+38,07 to PK 38+5) of the Ateities ave. continuation from Palemono st. to T. Masiulio st. in Kaunas	53	AB Kauno tiltai	road
7.	Construction of a physical barrier in the territory of the Republic of Lithuania along the external border of the European Union and services related to the	39	AB Kauno tiltai	other
8.	Construction of a physical barrier in the territory of the Republic of Lithuania along the external border of the European Union and services related to the construction - section IV (north-east)	37	AB Kauno tiltai	other
9.	Construction of the road and viaduct in Skarżysko Kamienna	28	Trakcja S.A.	road
10.	Construction of the Center for Intergenerational Activity	24	PRK7 Nieruchomości	cubature
11.	Reconstruction of gravel roads in Kaišiadorys district (part I)	18	AB Kauno tiltai	road
12.	Construction of a pedestrian and bicycle crossing under the tracks along Ostra and Kręta Streets in Kiekrz as part of the project works on the E59 railway line on the Poznań Główny-Szczecin Dąbie section	14	Trakcja S.A.	railway
13.	Other contracts	204	-	other
	Total	**1 372**		

The most favorable offers submitted in public tenders in 2021 (pending before the date of publication of this report)

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).

Material agreements executed 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 Street 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 door 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).

2.6.2. Insurance contracts

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

The aforementioned insurance contracts have been entered into with the following insurance companies: Towarzystwo Ubezpieczeń i Reasekuracji Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A., Powszechny Zakład Ubezpieczeń S.A., UNIQA Towarzystwo Ubezpieczeń S.A., InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group.

Third party liability insurance contracts for the Management Board members have been signed with the consortium of Colonnade Insurance Societe Anonyme Branch in Poland, Tokio Marine Europe S.A. Branch in Spain and Towarzystwo Ubezpieczeń i Reasekuracji Allianz Polska S.A.

2.6.3. Cooperation agreements

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

2.7. Key deposits and capital investments

2.7.1. Investments in tangible and intangible assets

In 2021, investment expenditure in the Company and the Group amounted to PLN 8,583 thousand and PLN 28,410 thousand, respectively.

The following investment projects were completed in 2021:

Company:

	Acquisition for cash	Leasing	Credits and loans	Total
Replacement investments	3 227	5 356	-	8 583
Total	**3 227**	**5 356**	**-**	**8 583**

Group:

	Acquisition for cash	Leasing	Credits and loans	Total
Replacement investments	7 764	20 646	-	28 410
Total	**7 764**	**20 646**	**-**	**28 410**

Moreover, in 2021's balance-sheet the Company recognized, in accordance with IFRS 16, tangible fixed assets in the amount of PLN 3,645 thousand due to executed lease agreements.

The following investment projects were completed in 2020:

Company:

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

Group:

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

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

- "Civil engineering - Poland" – PLN 11,599 thousand (in 2020: PLN 10,005 thousand);
- "Construction, engineering and concession agreements – Baltic countries" – PLN 16,687 thousand (in 2020: PLN 12,234 thousand);
- other segment – PLN 124 thousand (in 2020: PLN 1,441 thousand).

In 2022, the Company and the Group plan to incur capital expenditure of approximately PLN 16,979 thousand and PLN 47,415 thousand, respectively. These projects are to be financed as follows:

Company:

Cash	2 432
Financial leasing	14 547
Total	**16 979**

Group:

Cash	28 517
Financial leasing	18 896
Total	**47 413**

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

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

The Group made no significant material capital investments in 2021.

2.7.3. Strategy and development of the Group

In 2021, the Group continued its organisational and legal restructuring process in order to achieve synergies and enhance its operational efficiency and financial power.

In 2022, Trakcja Group expects to continue to improve the Group's performance, guided by the following strategic principles:

- development through organic growth;

- enhancement of effectiveness and efficiency through improved organisation of works, better use of synergies, and incentive schemes;
- intensified use of its own resources during the performance of contracts;
- ensuring increased financing to make up the shortfall, in particular through:

  - finalising settlement negotiations on court claims,

  - additional debt financing,

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

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

Active policy on liquidity management of the Parent Company

In addition to activities that contribute to the improvement of future financial performance, the Parent Company's Management Board is primarily focused on the Company's liquidity situation. The Parent Company pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long-term, with a view to maintaining a stable level of available funding. In order to maintain liquidity, the Parent Company pays close attention to the terms and conditions of its financing, in particular to the possibility of obtaining advances. In addition, the Parent Company pursues an active policy of maintaining a low level of receivables, managing inventories and selling key materials to the contracting parties at the initial stage of a contract. The Parent Company places great emphasis on shortening the period between the completion of works and their invoicing. The Parent Company's activities related to the liquidity situation were described in note 1.8 to the consolidated financial statements for 2021.

Active participation in tender procedures

The Parent Company shall continue its active participation in tender procedures in the railroad and road market, which presently entail a large number of players. The increase of competition follows from a decrease of the number of tenders in the investment market against the performance potential of construction companies in the Polish market.

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

In 2022 and beyond, the Management Board of Trakcja intends to focus its efforts on the Polish market for construction and assembly services in the railway sector. This objective can be achieved thanks to the effective organizational and financial support for the tendering and contracting area and for the implementing of contracts.

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

Diversification of the Group's activities

The Group, within the framework of diversification, became in 2021 involved in municipal investments in the area of the modernization of tram and trolleybus infrastructure. In 2021, the Parent Company succeeded in completion of contracts in this segment.

In 2021, the Parent Company signed the following agreements corresponding to the urban market:

- „Expansion of the Tram Line in Olsztyn" (the Company's share – PLN 164 million net);

- „Construction of the Tram Line in Bydgoszcz" (value of contract - PLN 125 million net).

The Parent Company continues bidding with a view of soliciting subsequent projects for the urban rail market.

In addition, as a part of diversification, the Company takes environmental measures by participating in tenders for incineration plants.

2.8. Prospects for the Group's development

Despite the issues related to the Group's liquidity situation, described in note 1.8 of the additional information and explanations to the consolidated financial statements for 2021 and exceptional risks, i.e. COVID pandemic, the Management Board positively assesses the Group's growth outlook for 2022.

Trakcja has consistently developed competences across different sectors of infrastructure construction, focusing on the railway sector. The Parent Company, as it has done so far, is actively involved in tendering procedures also on the tram market.

Rail market

According to the National Rail Program ("NRP") adopted by the Council of Ministers on November 23, 2016, and its latest update from November 2021, the program value is PLN 76,7 billion (according to funding sources). Until 2023, the National Railways Programme will be implementing the strategy adopted by the Council of Ministers, including the "2021 Country Development Strategy" and the "Transport Development Strategy to 2021, with a perspective up to 2030." The NRP shall be in force until 2023, that is, until the moment when projects can be funded within the framework of the EU financial perspective for 2014-2021. The document sets out the scope and sources of funding (including EU funds and national funds); it also constitutes the basis for assuring project funding in accordance with the Public Finances Act. In accordance with the Resolution of the Council of Ministers of November 12, 2020, planned expenditures of the NRP Programme, after updating are as follows (in accordance with sources of funding):

- 2022 – PLN 15.4 billion;
- 2023 – PLN 14.1 billion.

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

a) Supra-regional projects;

b) Projects related to CPK (Central Transportation Port) - projects, the range and performance of which is associated with the concept of constructing the Central Transportation Port;

c) Multi-location projects – projects with the purpose of a horizontal approach to problems of the Polish railroad network;

d) Regional projects.

Road market

On August 9, 2021, a draft of "The Government Program for National Roads Construction to 2030 (with a perspective to 2033)" was announced. It is a follow-up to the National Road Construction Program for 2014-2023 (with a view to 2025) of September 8, 2015. In total, about PLN 292 billion will be devoted to the realization of investments included in the new program, including new tasks worth about PLN 187 billion and continued tasks worth about PLN 105 billion. The project was submitted for public consultation.

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

Other

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

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

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

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

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

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

- accuracy of the project cost estimates, as it exerts a direct impact on decisions regarding the participation in tenders, valuation of contracts for tenders and as a result margins on contracts, the accuracy of budget estimations for contracts cost is in turn related to both methodological and external factors, e.g. changes in prices of materials and subcontractor services;

- the number of contracts won as part of investment programmes for rail and road infrastructure in Poland and Lithuania.
- ability to attract highly qualified staff.
- ability to further diversify the activities.
- the risk related to obtaining financing for the implementation of construction contracts and obtaining contractual guarantees.
- ability to maintain liquidity (as specified in note 1.8 of the Additional information and explanations to the consolidated financial statement).
- ability to satisfy the conditions provided for in financing agreements, including maintaining the value of financial ratios specified in financing agreements at the indicated level.
- results of ongoing court proceedings.
- ability to implement the Issuer Group's development strategy.

2.10. Risk factors and threats

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

2020 marks the introduction of the Risk Management Policy and Procedure by the Parent Company – from this moment on the following is being successively evaluated: corporate process risks, submitted offers, contract performance and financial risk. These risks are identified and analyzed on an ongoing basis, and accordingly controls are being introduced with a view of limiting the said risks. The risk management system adopted by the Company presumes the generally accepted model of three lines of defence, applied along with the rule of good corporate governance practices as regards allocation of rights and responsibility. The implementation of the Risk Management Policy and Procedure within the whole Group is scheduled for 2022.

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

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

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

- Ordinary risks;
- Extraordinary risks.

Ordinary risks

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

Bidding risk

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

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

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

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

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

Contract performance risk

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

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

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

Financial risk

The last primary risk to be analyzed within the framework of ordinary risks is the financial risk. The risk associated with financial agreements follows from the fact that both banks (as regards credits and contractual

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

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

Extraordinary risks

Among the extraordinary risks existing in the Group's sector is especially the risk of disrupting operations due to the COVID-19 virus and risk related to the war in Ukraine.

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

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). The Group takes steps to minimize the impact of the situation related to COVID on the Group's operations, including through the diversification of material suppliers or the application of sanitary restrictions on construction sites or in offices. As at the date of this report, the effects of the epidemic do not significantly affect its main activity.

Despite the fact that, as at the date of publication of this report, there is a decrease in the number of COVID infections and a general improvement in the epidemiological status in Poland and Lithuania, the effects of the pandemic may be long-term and affect, among others: a decrease in the availability and an increase in the prices of materials and products , a reduction in the level of investments in the infrastructure market and an increase in employee salary costs.

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 Management Board of Trakcja will inform the stakeholders with an appropriate stock exchange announcement.

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.

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

3.1. Group's financial performance in 2021

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

The Company believes that the APMs presented are a source of additional, valuable information on the Group's financial standing, and facilitate the analysis and evaluation of the financial performance of the Group in 2021 and 2020.

3.1.1. Consolidated income statement of Trakcja Group

CONSOLIDATED PROFIT & LOSS ACCOUNT	1.01.2021 - 31.12.2021 Audited	1.01.2020 - 31.12.2020 Modified*	Change	Change %
Sales revenues	1 424 841	1 338 982	85 859	6%
Cost of goods sold	(1 367 203)	(1 331 720)	(35 483)	3%
Gross profit (loss) on sales	**57 638**	**7 262**	**50 376**	**694%**
Cost of sales, marketing and distribution	(6 434)	(6 133)	(301)	5%
General and administrative costs	(60 198)	(56 658)	(3 540)	6%
Other operating revenues	38 130	11 109	27 021	243%
Other operating costs	(6 982)	(7 008)	26	0%
Goodwill impairment	-	(38 735)	38 735	-100%
Operating profit (loss)	**22 154**	**(90 163)**	**112 317**	**-125%**
Financial revenues	4 169	623	3 546	569%
Financial costs	(27 948)	(30 318)	2 370	-8%
Gross profit (loss)	**(1 625)**	**(119 858)**	**118 233**	**-99%**
Income tax	(9 958)	9 872	(19 830)	-201%
Net profit (loss) for the period	**(11 583)**	**(109 986)**	**98 403**	**-89%**

**The restatement in 2020 relates to the reclassification of costs between costs of sale, marketing and distribution as well as general management costs on one hand and own cost of sales on the other hand (for more information, see note 1.7 of the annual consolidated financial statement of Trakcja Group for 2021)*

In 2021, Trakcja Group achieved revenues in the amount of PLN 1,424,841 thousand, which have increased by 6% against an analogous period of the last year. The Company's sales expenses during the twelve months of 2021 have increased by 3% and achieved the value of PLN 1,367,203 thousand.

The total gross result on sales of the Group in 2021 has achieved the value of PLN 57,638 thousand, which has increased by PLN 50,376 thousand against an analogous period of the last year, which after restatement, amounted to PLN 7,262 thousand. The gross profit margin on sales during the period in question amounted to 4.0% against 0.5% during the comparable period.

The greatest impact on the total gross result on sales in 2021 is attributed to factors associated with the situation at the Parent Company and its largest subsidiary, AB Kauno Tiltai.

In 2021, the Parent Company achieved gross profit on sales in the amount of PLN,15 291 thousand, which represents an improvement of PLN 39,791 thousand in comparison with 2020, when the company reached negative gross result on sales in the amount of PLN -24,500 thousand. The factors which had the greatest

positive impact on the level of gross profit margin on sales in the Parent Company in 2021, in particular during the third and fourth quarters of 2021, as described in current reports 44/2021 and 4/2022, are inter alia increases in the scope of works on selected contracts, which has positively contributed to the improvement of margins by including additional revenue in the budgets of these contracts; including in the budgets of selected contracts additional revenue resulting from the indexation of contracts, with regard to the increase in price indices included in the contracts; technical optimization of some projects, which consisted of changing the technology accepted by the Contracting Entities, which reduced the budget costs of contracts; organizational optimization resulting in increased efficiency on selected contracts. In contrast, the negative impact on revenues and on the level of gross profit from sales, as described in current report No 27/2021, was due to the prolonged proceeding of bank credit agreements and loans, which translated into limited possibilities of financing the Company's working capital in the first half of 2021. Another factor having a negative impact on the contractual margins, especially in view of the lack of prior purchasing of the materials needed for the execution of contracts, for the reasons stated above, was the increase in prices of materials, in particular steel products, copper products, plastic products, recorded especially in the first half of 2021.

In 2021 the Kauno Tiltai Group achieved a result on sales in the amount of PLN 37,743 thousand, which constitutes an increase of PLN 8,293 thousand against 2020. The main factor influencing the outcome was the recognition by AB Kauno Tiltai of the additional margin on the concluded contract litigation between the company and the Investor - AB Lietuvos geležinkeliai. In the fourth quarter of 2021, the case was settled by a court and a settlement was signed under which the Investor was obliged to pay compensation and waived any claims against the Contractor. Following the settlement of the dispute, the company resolved the provision for expected loss on the contract. Another important factor which had a positive impact on the level of the sales margin in the Kauno Tiltai Group was amicable, early termination of AB Kauno Tiltai's railway contract. In connection with the Investor's withdrawal from the continuation of the project, the company has reversed a provision for expected loss on the contract.

The expenses of sales, marketing and distribution were at a level of PLN 6,434 thousand, greater by 5% against a comparable period. Total management expenses amounted to PLN 60,198 thousand, which entails a 6% increase, that is, by the amount of PLN 3,540 thousand as compared against 2020.

Other operating revenue for the 12 months of 2021 was greater by PLN 27,021 thousand against the comparable period and amounted to PLN 38,130 thousand. The increase in revenues results mainly from recognition of profit from sale of property on Oliwska Street in the amount of PLN 18,589 thousand at the level of the Parent Company and additionally PLN 5,592 thousand at the level of the Capital Group. Growth of other operating income was also influenced by the redemption of some of loans received in 2020 by subsidiaries under support of the SARS-CoV-2 pandemic to entrepreneurs, totaling PLN 2,217 thousand. Other operating expenses achieved the value of PLN 6,982 thousand in 2021 and decreased by 0,4% against the previous year's expenses.

The Group ended 2021 with operating profit of PLN 22,154 thousand, which represents an increase of PLN 112,317 thousand compared to the corresponding period of the previous year, in which the Group made a loss from operating activities in the amount of PLN 90,163 thousand. Apart from the above-described factors, an increase in the result on operating activities in comparison to 2020, was caused by the creation by the Parent Company of the revaluation write-off of the Company's goodwill in the amount of PLN - 38,735 thousand charged against the result for 2020.

The Group's financial revenues for 2021 amounted to PLN 4,169 thousand and increased by PLN 3,546 thousand compared to revenues for 2020, when they reached PLN 623 thousand. Financial expenses during the period in question decreased by 8% and achieved the value of PLN 27,948 thousand. The increase in financial revenues results mainly from the Parent Company's reversal of the provision for interest on liabilities amounting to PLN 3,158 thousand.

The Group had a gross loss of PLN 1,625 thousand from January 1 to December 31, 2021, which entails an improvement of the result by PLN 118,233 thousand against the analogous period during last year, when the Group had a gross loss in the amount of PLN 119,858 thousand.

Income tax in 2021 amounted to PLN 9 958 thousand, while in 2020 income tax had a positive effect on net result, increasing it by PLN 9,872 thousand.

Trakcja Group had a net loss of PLN 11,583 thousand for 2021. The Group's net loss decreased by 89% compared to 2020, when the net loss amounted to PLN 109,986 thousand.

3.1.2. Consolidated balance sheet of Trakcja Group

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

CONSOLIDATED ASSETS	31.12.2021 Audited	31.12.2020 Modified*	Change	Change %
Non-current assets	**560 778**	**581 319**	**(20 541)**	**-4%**
Tangible non-current assets	265 929	285 257	(19 328)	-7%
Investment properties	34 905	26 587	8 318	31%
Goodwill from consolidation	181 589	187 269	(5 680)	-3%
Intangible assets	4 027	3 529	498	14%
Other financial assets	8 466	6 452	2 014	31%
Deferred tax assets	57 889	63 607	(5 718)	-9%
Long-term receivables	32	104	(72)	-69%
Prepayments	7 941	8 514	(573)	-7%
Current assets	**817 784**	**896 437**	**(78 653)**	**-9%**
Inventory	107 272	113 145	(5 873)	-5%
Trade and other receivables	331 396	420 101	(88 705)	-21%
Income tax receivables	1 660	968	692	71%
Other financial assets	36 663	4 640	32 023	690%
Cash and cash equivalents	126 946	136 178	(9 232)	-7%
Prepayments	15 153	13 095	2 058	16%
Assets due to contracts with clients	197 434	203 273	(5 839)	-3%
Assets held for sale	1 260	5 037	(3 777)	-75%
TOTAL ASSETS	**1 378 562**	**1 477 756**	**(99 194)**	**-7%**

**The restatement as at 31.12.2020 relates to presentation changes of the fixed assets in consolidated balance sheet of the Group (more information in Note 1.7 of consolidated annual report of Trakcja Group for 2021).*

As at December 31, 2021, the balance sheet sum of Trakcja Group achieved the value of PLN 1,378,562 thousand and decreased by PLN 99,194 thousand in comparison with the end of 2020. Fixed assets decreased by PLN 20,541 thousand in comparison to 2020 and achieved a value of PLN 560,778 thousand as at December 31, 2021. Current assets decreased by PLN 78,653 thousand in 2021 and amounted to PLN 817,784 thousand.

The greatest decrease among fixed assets concerned property, plant and equipment, which decreased by PLN 19,328 thousand as at December 31, 2021 as compared against the end of 2020. The value of deferred tax assets also decreased by PLN 5,718 thousand. The company's goodwill from consolidation also decreased by PLN 5,680 thousand due to exchange differences from translation of foreign currencies and amounted to PLN 181,589 thousand as at 31 December 2021.

The biggest decrease among current assets recorded trade receivables and other receivables, the value of which as at the balance sheet date amounted to PLN 331,396 thousand, which represents a decrease by an amount of PLN 88,705 thousand In comparison to the end of 2020. There was a decrease by PLN 9,232 thousand as

compared to the balance sheet date as at December 31, 2020 of cash and cash equivalents, the level of which amounted to PLN 126,946 thousand. In turn, there was an increase by PLN 32,023 thousand of other financial assets, the value of which amounted to PLN 36,663 thousand as at December 31, 2021. The increase results mainly from the increase in the value of the other financial assets compared to the situation at the end of 2020 in AB Kauno Tiltai, due to the payment of a guarantee deposit in cash in the amount of PLN 30,637 thousand.

The table below presents the annual consolidated balance sheet of Trakcja Group – equity and liabilities.

CONSOLIDATED EQUITY AND LIABILITIES	31.12.2021 Audited	31.12.2020 Modified*	Change	Change %
Equity attributable to shareholders of parent entity	**315 490**	**331 594**	**(16 104)**	**-5%**
Share capital	69 161	69 161	-	0%
Share premium account	199 160	269 641	(70 481)	-26%
Revaluation reserve	5 580	7 082	(1 502)	-21%
Other capital reserves	(911)	(1 020)	109	-11%
Retained earnings	13 568	(48 451)	62 019	-128%
Foreign exchange differences on translation of foreign operations	28 932	35 181	(6 249)	-18%
Non-controlling interests	**4 610**	**5 522**	**(912)**	**-17%**
Total equity	**320 100**	**337 116**	**(17 016)**	**-5%**
Total liabilities	**1 058 462**	**1 140 640**	**(82 178)**	**-7%**
Long-term liabilities	**356 358**	**340 847**	**15 511**	**5%**
Interest-bearing bank loans and borrowings	301 754	281 152	20 602	7%
Bonds	28 451	27 832	619	2%
Provisions	13 563	21 355	(7 792)	-36%
Liabilities due to employee benefits	3 643	3 690	(47)	-1%
Provision for deferred tax	8 882	4 998	3 884	78%
Accruals	50	1 792	(1 742)	-97%
Other liabilities	15	28	(13)	-46%
Short-term liabilities	**702 104**	**799 793**	**(97 689)**	**-12%**
Interest-bearing bank loans and borrowings	92 334	86 131	6 203	7%
Bonds	196	194	2	1%
Trade and other liabilities	370 080	436 658	(66 578)	-15%
Provisions	37 381	53 706	(16 325)	-30%
Liabilities due to employee benefits	17 165	16 468	697	4%
Other financial liabilities	-	112	(112)	-100%
Accruals	3 639	5 973	(2 334)	-39%
Liabilities due to contracts with clients	181 296	200 551	(19 255)	-10%
Commitments held for sale	13	-	13	-
Total equity and liabilities	**1 378 562**	**1 477 756**	**(99 194)**	**-7%**

**The restatement as at 31.12.2020 relates to presentation changes of the equity in consolidated balance sheet of the Group (more information in Note 1.7 of consolidated annual report of Trakcja Group for 2021).*

The Group's equity as at 31 December 2021 decreased by PLN 17,016 thousand, i.e. by 5% compared to the balance as at 31 December 2020. The value of the equity from the surplus from the sale of shares above their nominal value decreased by PLN 70,481 thousand, which results from the loss coverage for 2020 made during 2021. The level of exchange differences from the translation of foreign currencies, the value of which as at the balance sheet date amounted to PLN 28,932 thousand is lower by PLN 6,249 thousand. Value of retained earnings as at December 31, 2021 amounted to PLN 13,568 thousand, which represents an increase by PLN 62,019 thousand in comparison with the same period of the previous year, which results from the coverage of the loss on capital from the surplus from the sale of shares above their nominal value.

Long-term liabilities have reached a level of PLN 356,358 thousand as at December 31, 2021 and have increased by an amount of PLN 15,511 thousand compared to December 31, 2020. This increase was mainly due to an increase in the value of interest-bearing long-term credits and loans by the amount of PLN 20,602 thousand, the value of which as at the balance sheet date amounted to PLN 301,754 thousand. At the same time, the value of the long-term provisions, which as at December 31, 2021 amounted to PLN 13,563 thousand, decreased by PLN 7,792 thousand, i.e. by 36% compared to the amount at the end of 2020. The reduction is mainly due to the reversal in December 2021 of the provisions for expected losses on the two contracts in AB Kauno Tiltai.

Long-term liabilities have reached a level of PLN 702,104 thousand as at the balance sheet date and have decreased by an amount of PLN 97,689 thousand i.e. by 12% compared to the situation at the end of 2020. The biggest decrease relates to trade and other liabilities, the value of which as at December 31, 2021 amounted to PLN 370,080 thousand in comparison to PLN 436,658 thousand in a comparable period. The value of liabilities on account of contracts with customers, which amounted to PLN 181,269 thousand as at the balance sheet date, decreased by PLN 19,255 thousand, i.e. by 10%. The value of short-term provisions as at the end of 2021 amounted to PLN 37,381 thousand and has decreased by PLN 16,325 thousand in comparison to a comparable period. There was an increase by PLN 6,203 thousand, i.e. by 7% of the value of interest-bearing credits and loans, which as at December 31, 2021 amounted to PLN 92,334 thousand, compared to PLN 86,131 thousand as at December 31, 2020.

3.1.3. Profitability ratios

In 2021 the gross profit margin on sales increased by 3.5 p.p. compared to the analogous period and amounted to 4.0%. The profit (loss) on operating activities increased by depreciation and write-down on goodwill amounted to PLN 59.283 thousand and increased by PLN 72.983 thousand compared to the analogous period. In 2021 EBIDTA profit margin increased by 5.2 p.p. compared to 2020, reaching a level of 4.2%. The profit margin on operating activities increased by 8.3 p.p. and achieved the value of 1.6%. The net profit margin increased by 7.4 p.p. and amounted to -0.8% compared to -8.2% in 2020. ROE increased by 25.7 p.p. in comparison with the analogous period for the previous year and reached the negative value of -3.6%, on the other hand ROA has reached a value of -0.8% and was higher by 6.6 p.p. compared to the analogous period for the previous year.

PROFITABILITY RATIOS	31.12.2021 Audited	31.12.2020 Modified	Change
Gross sales profit margin	4,0%	0,5%	3,5 p.p.
EBITDA	59 283	(13 700)	72 983
EBITDA profit margin	4,2%	-1,0%	5,2 p.p.
Operating profit margin	1,6%	-6,7%	8,3 p.p.
Net profit margin	-0,8%	-8,2%	7,4 p.p.
Return on equity (ROE)	-3,6%	-29,3%	25,7 p.p.
Return on assets (ROA)	-0,8%	-7,4%	6,6 p.p.

The above ratios have been calculated in accordance with the following formulas:
Gross margin on sales = gross profit on sales / sales revenue
EBITDA = operating profit + depreciation/amortisation + impairment loss on goodwill
EBITDA margin = (operating profit + amortisation/depreciation + impairment loss on goodwill) / sales revenue
Operating profit margin = operating profit / sales revenue
Net profit margin = net profit / sales revenue
Return on equity (ROE) = net profit attributable to shareholders of the Parent Company / average equity attributable to shareholders of the Parent Company
Return on assets (ROA) = net profit attributable to shareholders of the Parent Company / average assets

3.1.4. Consolidated statement of cash flows of Trakcja Group

The key items of the Trakcja Group's consolidated statement of cash flows for years ended 31 December 2021 and 31 December 2020 are presented in the table below.

CONSOLIDATED CASH FLOW ACCOUNT	1.01.2021 - 31.12.2021 Audited	1.01.2020 - 31.12.2020 Audited	Change	Change %
Cash at start of period	**135 906**	**107 461**	**28 445**	**26%**
Net cash flows from operating activities	(42 879)	37 174	(80 053)	-215%
Net cash flows from investment activities	40 351	2 272	38 079	1676%
Net cash flows from financial activities	(6 432)	(11 001)	4 569	-42%
Total net cash flows	**(8 960)**	**28 445**	**(37 405)**	**-131%**
Cash at end of period	**126 946**	**135 906**	**(8 960)**	**-7%**

In 2021, the net cash flow balance from operating activities was negative and amounted to PLN 42,879 thousand, which entails a decrease by PLN 80,053 thousand compared to 2020.

In 2021, the Group disclosed a positive net cash flow balance from investment activities in the amount of PLN 40,351 thousand, and in 2020, the positive cash flow balance from investment activities amounted to PLN 2,272 thousand.

The net cash flow balance from financial activity in 2021 was negative and amounted to PLN -6,432 thousand, which represents an increase of PLN 4,569 thousand compared to the balance in the same period of the previous year.

The Group opened the year 2021 with funds disclosed in the consolidated cash flow statement in a total amount of PLN 135,906 thousand, and finished the year2021 by disclosing in the consolidated cash flow statement cash in the amount of PLN 126,946 thousand. The level of total cash decreased in 2021 by the amount of PLN 8,960 thousand.

3.1.5. Overview of consolidated assets and liabilities structure in terms of liquidity

As at December 31, 2021, in assets structure the share of non-current assets increased by 1.3 p.p. compared to December 31, 2020. The largest group in the structure of fixed assets are property, plant and equipment – 47% (31.12.2020: 49%). On the other hand the largest group in the structure of current assets – trade receivables and other receivables – 41% (31.12.2020: 47%) and contracts with customers assets – 24% (31.12.2020: 23%).

In the structure of liabilities as at December 31, 2021, total equity accounts for 23% (31.12.2020: 23%), long-term liabilities – 26% (31.12.2020: 23%) and short-term liabilities – 51% (31.12.2020: 54%). The largest group in the structure of short-term liabilities are trade and other liabilities which constitutes 27% of the balance sheet total (31.12.2020: 30%).

3.1.6. Liquidity ratios

The working capital at Trakcja Group as at December 31, 2021 achieved the level of PLN 119,319 thousand and was greater by PLN 16,702 thousand compared to the previous year.

The current liquidity ratio as at December 31, 2021 amounted to 1.16 and was greater by 0.04 than the analogous ratio at the end of 2020. The quick liquidity ratio increased more rapidly by 0.03 and achieved the level of 1.01. The cash ratio increased by 0.01 and amounted to 0.18. This ratio informs that the Group would be able to immediately pay off 18% of its liabilities from the held cash.

LIQUIDITY RATIOS	31.12.2021 Audited	31.12.2020 Audited	Change
Working capital	119 319	102 617	16 702
Current ratio	1,16	1,12	0,04
Quick ratio	1,01	0,98	0,03
Cash ratio	0,18	0,17	0,01

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

3.1.7. Financing structure ratios

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

The equity to assets ratio increased in 2021 by 0.01 in comparison with the previous year and amounted to 0.23. The equity to fixed assets ratio decreased by 0.01 and amounted to 0.56. The total debt ratio as at December 31, 2021 increased and amounted to 0.77. This means that the Group's assets are funded in 77% by external funding sources – liabilities. The debt to equity ratio at the end of 2021 was at a level of 3.37.

FINANCING STRUCTURE RATIOS	31.12.2021 Audited	31.12.2020 Audited	Change
Equity to assets ratio	0,23	0,22	0,01
Equity to non-current assets ratio	0,56	0,57	-0,01
Debt ratio	0,77	0,78	-0,01
Debt to equity ratio	3,37	3,46	-0,09

The above ratios have been calculated in accordance with the following formulas:
Ownership coverage with equity = equity attributed to Shareholders of the Parent Company / total assets
Coverage of fixed assets with equity = equity attributed to Shareholders of the Parent / fixed assets

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

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

3.2. Financial performance of the Parent Company in 2021

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

The Company believes that the APMs presented are a source of additional, valuable information on its financial standing, and facilitate the analysis and evaluation of the financial performance of the Company in 2020 and 2021.

3.2.1. Overview of the income statement

PROFIT AND LOSS ACCOUNT	1.01.2021 - 31.12.2021 Audited	1.01.2020 - 31.12.2020 Modified*	Change	Change %
Sales revenue	792 762	652 753	140 009	21%
Cost of goods sold	(777 471)	(677 253)	(100 218)	15%
Gross profit (loss) on sales	**15 291**	**(24 500)**	**39 791**	**-162%**
Cost of sales, marketing and distribution	(2 420)	(2 403)	(17)	1%
General and administrative costs	(30 604)	(27 724)	(2 880)	10%
Other operating revenues	25 159	5 188	19 971	385%
Other operating costs	(5 056)	(5 118)	62	-1%
Operating profit (loss)	**2 370**	**(54 557)**	**56 927**	**-104%**
Financial revenues	52 354	2 613	49 741	1904%
Financial costs	(45 221)	(27 142)	(18 079)	67%
Gross profit (loss)	**9 503**	**(79 086)**	**88 589**	**-112%**
Income tax	(5 648)	8 605	(14 253)	-166%
Net profit for the period	**3 855**	**(70 481)**	**74 336**	**-105%**

**The restatement in 2020 relates to the reclassification of costs between costs of sale, marketing and distribution as well as general management and administrative costs on one hand and own cost of sales on the other hand (for more information, see note 1.6 of the annual standalone financial statement of Trakcja S.A. for 2021)*

In 2021, Trakcja S.A. achieved revenues at a level of PLN 792,762 thousand, which increased by 21% in comparison with the analogous period of the previous year. Sales expenses during the period in question increased by 15% and achieved the value of PLN 777,471 thousand. The gross profit margin on sales during the period in question amounted to 1.9%, and had a value of -3.8% during the analogous period of 2020. The gross profit on sales in 2021 amounted to PLN 15,291 thousand and increased by PLN 39,791 thousand, that is by 162% compared to 2020.

The factors which had the greatest positive impact on the level of gross profit margin on sales in Trakcja S.A. in 2021, in particular during the third and fourth quarters of 2021, as described in current reports 44/2021 and 4/2022, are inter alia increases in the scope of works on selected contracts, which has positively contributed to the improvement of margins by including additional revenue in the budgets of these contracts; including in the budgets of selected contracts additional revenue resulting from the indexation of contracts, with regard to the increase in price indices included in the contracts; technical optimization of some projects, which consisted of changing the technology accepted by the Contracting Entities, which reduced the budget costs of contracts; organizational optimization resulting in increased efficiency on selected contracts. In contrast, the negative impact on revenues and the level of gross profit from sales, as described in current report No. 27/2021, was due to the prolonged proceeding of bank credit and loans agreements, which translated into limited possibilities of financing the Company's working capital in the first half of 2021. Another factor having a negative impact on the contractual margins, especially in view of the lack of prior purchasing of the materials needed for the execution of contracts, for the reasons stated above, was the increase in the prices of materials, in particular steel products, copper products, plastic products, recorded especially in the first half of 2021.

Overall management expenses in 2021 amounted to PLN 330,604 thousand and increased by PLN 2,880 thousand, that is by 10% against the previous year. The increase in costs was mainly due to establishing provision for bonuses for 2021 for board members in the amount of PLN 1,356 thousand and the development of the technical and design office in the amount of PLN 761 thousand. The expenses of sales, marketing and distribution during the period in question achieved a level of PLN 2,420 thousand and increased by PLN 17 thousand compared to the analogous period of the previous year.

The balance of other operating activities in 2021 amounted to PLN 20,103 thousand and increased by PLN 20,033 thousand against the comparable period. The increase in the balance was influenced by the recognition by the Company of the profit on the sale of the property on Oliwska Street in the amount of PLN 19,963 thousand.

Profit on operating activities in 2021 amounted to PLN 2,370 thousand, and loss on operating activities amounted to PLN 54,557 thousand.

In the period of 12 months of 2021 the Company achieved financial revenues in the amount of PLN 52,354 thousand, which were higher by PLN 49,741 thousand compared to the corresponding period of the previous year, mainly due to recognition of dividend income from subsidiary AB Kauno Tiltai in the amount of PLN 45,347 thousand, as reported by the Company in current report No. 57/2021. Financial costs in the period in question increased by PLN 18,079 thousand in comparison to the analogous period. This is related to the creation by the Company of an impairment loss for investments in subsidiary AB Kauno Tiltai in the amount of PLN 18,513 thousand, as reported by the Company in current report No. 10/2022. In addition, the costs of financial fees and commissions (including structuring fees) increased by PLN 3,789, which is related to the financing and refinancing process of the Company's business completed in June 2021.

In 2021 the Company disclosed a gross profit in the amount of PLN 9,503 thousand. This result was greater by PLN 88,589 thousand in comparison with the previous year, in which the Company disclosed a gross loss in the amount of PLN 79,086 thousand.

The Company finished 2021 with a net profit in the amount of PLN 3,855 thousand and with a net profit margin at a level of 0.5%, compared to -10.8% in 2020.

The impact of the general situation related to the SARS pandemic – COV-2 on the level of gross income and profit from the sale of the Company was small.

3.2.2. Overview of the balance sheet

The table below presents the key items of the Trakcja's balance sheet as at December 31, 2021 in comparison with their balances as at December 31, 2020:

ASSETS	31.12.2021 Audited	31.12.2020 Modified*	Change	Change %
Non-current assets	**586 458**	**614 064**	**(27 606)**	**-4%**
Tangible non-current assets	143 872	158 946	(15 074)	-9%
Intangible assets	51 170	51 255	(85)	0%
Investment properties	25 456	23 981	1 475	6%
Investments in subsidiaries	288 940	307 453	(18 513)	-6%
Other financial assets	17 041	6 241	10 800	173%
Deferred tax assets	54 352	59 765	(5 413)	-9%
Accruals	5 627	6 423	(796)	-12%
Current assets	**467 405**	**520 523**	**(53 118)**	**-10%**
Inventory	52 176	46 494	5 682	12%
Trade and other receivables	230 625	307 855	(77 230)	-25%
Other financial assets	3 333	8 481	(5 148)	-61%
Cash and cash equivalents	16 618	6 693	9 925	148%
Accruals	11 220	8 862	2 358	27%
Contracts with customers assets	153 433	137 101	16 332	12%
Assets held for sale	-	5 037	(5 037)	-100%
TOTAL ASSETS	**1 053 863**	**1 134 587**	**(80 724)**	**-7%**

**The restatement as at 31.12.2020 relates to presentation changes of the fixed assets in consolidated balance sheet of the Group (more information in Note 1.6 of annual standalone financial statement of Trakcja S.A. in 2021).*

As at 31 December 2021, the balance sheet total of Trakcja S.A. achieved the value of PLN 1,053,863 thousand and decreased by PLN 80,724 thousand in comparison with the end of 2020, which constitutes a decrease by 7%.

Fixed assets have achieved a value of PLN 586,458 thousand and decreased by an amount of PLN 27.606 thousand in comparison with the previous year. The biggest decrease by PLN 18,513 thousand concerned investments in subsidiaries, in connection with the created adjustment of investments in subsidiary AB Kauno Tiltai. Moreover, there was a decrease by PLN 15,074 thousand of other tangible fixed assets in subsidiaries, the value of which as at the balance sheet date amounted to PLN 143,872 thousand. However, the biggest increase was recorded on other financial assets, the value of which increased by PLN 10,800 thousand as compared to the balance as at December 31, 2020.

The value of current assets as at December 31, 2021 have achieved a value of PLN 467,405 thousand and have decreased by PLN 53,118 thousand, that is, by 10%, as compared to December 31, 2020. The greatest changes among current assets have taken place in respect of deliveries and services and other receivables, which have decreased by PLN 77,230 thousand, reaching a value of PLN 230,625 thousand. The balance of cash and cash equivalents, which amounted to PLN 16,618 thousand at the balance sheet date, increased by PLN 9,925 thousand.

Equity and Liabilities	31.12.2021 Audited	31.12.2020 Modified*	Change	Change %
Equity	**283 734**	**279 645**	**4 089**	**1%**
Share capital	69 161	69 161	-	0%
Share premium account	199 160	269 641	(70 481)	-26%
Revaluation reserve	6 082	7 082	(1 000)	-14%
Other capital reserves	391	391	-	0%
Retained earnings	8 940	(66 630)	75 570	-113%
Total equity	**283 734**	**279 645**	**4 089**	**1%**
Total liabilities	**770 129**	**854 942**	**(84 813)**	**-10%**
Long-term liabilities	**335 228**	**294 482**	**40 746**	**14%**
Interest-bearing loans and borrowings	303 875	263 881	39 994	15%
Bonds	28 451	27 832	619	2%
Provision for deferred tax	2 485	2 289	196	9%
Provisions	417	480	(63)	-13%
Short-term liabilities	**434 901**	**560 460**	**(125 559)**	**-22%**
Interest-bearing loans and borrowings	77 856	94 610	(16 754)	-18%
Bonds	196	194	2	1%
Trade and other liabilities	244 995	302 052	(57 057)	-19%
Provisions	24 300	42 133	(17 833)	-42%
Liabilities due to employee benefits	9 248	9 658	(410)	-4%
Accruals	1 099	716	383	53%
Contracts with customers liabilities	77 207	111 097	(33 890)	-31%
TOTAL EQUITY AND LIABILITIES	**1 053 863**	**1 134 587**	**(80 724)**	**-7%**

**The restatement as at 31.12.2020 relates to presentation changes of the equity in consolidated balance sheet of the Group (more information in Note 1.6 of annual standalone financial statement of Trakcja S.A. in 2021).*

The Company's equity as at December 31, 2021 reached the value of PLN 283,734 thousand and increased by PLN 4,089, i.e. by 1% compared to the balance as at December 31, 2020, as a result of the net profit of PLN 3,855 thousand generated in 2021 and coverage of the loss from 2020 in the amount of PLN 70,481 thousand

by the capital from the surplus from the sale of shares above their nominal value, the balance of which, after covering the loss from 2020, reached the value of PLN 199,160 thousand as at the balance sheet date.

Long-term liabilities have reached a level of PLN 335,228 thousand as at the balance sheet date and have increased by an amount of PLN 40,746 thousand, that is, by 14% compared to the end of 2020. This increase has been primarily caused by the increase of liabilities under interest-bearing long-term credits and loans by an amount of PLN 39,994 thousand, which was the result of a partial carrying forward of some liabilities resulting from credits and loans during 2021, classified as at December 31, 2020 as short-term.

Short-term liabilities have reached a level of PLN 434,901 thousand as at 31 December 2021 and have decreased by PLN 125,559 thousand, that is, by 22% in comparison with the end of the previous year. The following contributed to this decrease: the aforementioned reclassification of some liabilities under credits and loans and a decrease of liabilities arising from deliveries and services and other liabilities by an amount of PLN 57,057 thousand, that is, by 19%, which as at the balance sheet date achieved a value of PLN 244,995 thousand. In addition, the decrease was recorded among liabilities due to contracts with customers, which as at December 31, 2021 reached the value of PLN 77,207 thousand.

3.2.3. Cash flow statement overview

The key items of the consolidated statement of cash flows of Trakcja for years ended December 31, 2021 and December 31, 2020 are presented in the table below:

CASH FLOW STATEMENT	1.01.2021 - 31.12.2021 Audited	1.01.2020 - 31.12.2020 Audited	Change	Change %
Cash at start of period	**6 693**	**47 514**	**(40 821)**	**-86%**
Net cash flows from operating activities	(101 752)	(45 355)	(56 397)	124%
Net cash flows from investment activities	103 054	3 802	99 252	2611%
Net cash flows from financial activities	8 623	732	7 891	1078%
Total net cash flows	**9 925**	**(40 821)**	**50 746**	**-124%**
Cash at end of period	**16 618**	**6 693**	**9 925**	**148%**

The Company commenced 2021 with cash in the amount of PLN 6,693 thousand, and ended the said period with cash in the amount of PLN 16,618 thousand. Total net cash flows during the period considered were positive and amounted to PLN 9,925 thousand.

In 2021, the net cash flow balance from operating activities was negative and amounted to PLN 101,752 thousand, which entails a decrease by PLN 56,397 thousand in comparison with the comparable period of the previous year.

Net cash flows from investment activities in 2021 disclosed a balance of PLN 103,054 thousand, and during the comparable period in 2020 the net cash flows from investment activities amounted to PLN 3,802 thousand.

Net cash flows from financial activities in 2021 achieved a positive balance, which amounted to PLN 8,623 thousand, which means an increase by PLN 7,891 thousand against 2020.

3.3. Financial ratios of Trakcja

3.3.1. Profitability ratios

In 2021 the gross profit margin on sales increased to the amount of 1.93% compared to -3.75% in the analogous period for the previous year. The profit on operating activities increased by depreciation amounted to PLN 22.101 thousand and increased by PLN 56.437, whereas EBIDTA profit margin increased by 8.05 p.p. compared to 2020, reaching a level of 2.79%. The profit margin on operating activities increased by 8.66 p.p. and achieved the value of 0.30%. The net profit margin amounted to 0.49% and increased by 11.29 p.p. compared to 2020.

ROE reached the value of 1.37% and increased by 23.76 p.p. compared to the analogous period for the previous year. ROA increased by 6.32 p.p. and reached the value of 0.35%.

PROFITABILITY RATIOS	31.12.2021 Audited	31.12.2020 Modified	Change
Gross sales profit margin	1,93%	-3,75%	5,68 p.p.
EBITDA	22 101	(34 336)	56 437
EBITDA profit margin	2,79%	-5,26%	8,05 p.p.
Operating profit margin	0,30%	-8,36%	8,66 p.p.
Net profit margin	0,49%	-10,80%	11,29 p.p.
Retyrn in equity (ROE)	1,37%	-22,39%	23,76 p.p.
Return on assets (ROA)	0,35%	-5,97%	6,32 p.p.

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

Gross margin on sales = gross profit on sales / sales revenue
EBITDA = operating profit + depreciation/amortisation + impairment loss on goodwill
EBITDA margin = (operating profit + amortisation/depreciation + impairment loss on goodwill) / sales revenue
Operating profit margin = operating profit / sales revenue
Net profit margin = net profit / sales revenue
Return on equity (ROE) = net profit attributable to shareholders of the Parent Company / average equity attributable to shareholders of the Parent Company
Return on assets (ROA) = net profit attributable to shareholders of the Parent Company / average assets

3.3.2. Liquidity ratios

The working capital at Trakcja S.A. as at December 31, 2021 achieved the level of PLN 33,603 thousand and was greater by PLN 72,824 thousand compared to the previous year.

The current liquidity ratio as at December 31, 2021 amounted to 1.07 and was greater by 0.14 than the analogous ratio at the end of 2020. The quick liquidity ratio increased more rapidly by 0.08 and achieved the level of 0.85. The cash ratio increased to 0.04. This ratio informs that the Company would have been able to immediately pay off 4% of its liabilities from the held cash.

LIQUIDITY RATIOS	31.12.2021 Audited	31.12.2020 Audited	Change
Working capital	33 603	(39 221)	72 824
Current ratio	1,07	0,93	0,14
Quick ratio	0,95	0,85	0,10
Cash ratio	0,04	0,01	0,03

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

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

Current ratio = current assets / short-term liabilities

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

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

3.3.3. Financing structure ratios

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

The equity to assets ratio as at December 31, 2021 amounted to 0.27 and increased compared to the end of the comparable year by 0.02. The equity to fixed assets ratio increased in comparison with December 31, 2020 by 0.02. The total debt ratio at the end of 2021 decreased by 0.02 against 2020 and was at a level of 0.73. The debt to equity ratio also decreased from 3.06 at the end of 2020 to the level of 2.71 at the end of 2021.

Financing structure ratios	31.12.2021 Audited	31.12.2020 Audited	Change
Equity to assets ratio	0,27	0,25	0,02
Equity to non-current assets ratio	0,48	0,46	0,02
Debt ratio	0,73	0,75	-0,02
Debt to equity ratio	2,71	3,06	-0,35

The above ratios have been calculated in accordance with the following formulas:
Ownership coverage with equity = equity attributed to Shareholders of the Parent Company / total assets
Coverage of fixed assets with equity = equity attributed to Shareholders of the Parent / fixed assets

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

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

3.1. Assessment of financial resources management

At the end of 2021, Trakcja Group held cash of PLN 126,946 thousand and, at the same time, total debt relating to credits, loans and leases amounted to PLN 422,735 thousand. The Group maintains the level of external financing as well as financial liquidity that allow it to execute its current contract portfolio.

As at the balance sheet date, the Group had at its disposal undrawn credit lines (overdrafts and trading credits) in the amount of PLN 77.0 million, which ensures continuity of financing of current operations for Trakcja Group companies.

In addition to activities that contribute to the improvement of future financial performance, the Parent Company's Management Board is primarily focused on the Company's liquidity situation. The Issuer pursues an active liquidity management policy by monitoring liquidity on an ongoing basis in the short and long term perspective, aiming at maintaining a stable level of available financing. For the purpose of maintaining liquidity, the Parent Company takes measures aimed at acquiring contracts where advance payments are stipulated. Moreover, the Company places great emphasis on shortening the period between the completion of works and their invoicing. The Parent Company uses newly obtained means of long- term financing to reduce past due liabilities and to identify work on construction contracts.

Note 1,7 of the Additional information and explanations to the standalone financial statements for 2021 and note 1,8 of the Additional information and explanations to the consolidated financial statements for 2021

include details related to the process of measures taken in respect of long-term financing. Information indicating the risk of going concern was presented in the aforementioned notes of the standalone and consolidated financial statements for 2021.

3.2. Assessment of factors and non-recurring events affecting the results of Trakcja Group in 2021

The key factors and non-recurring events affecting Trakcja Group's performance in 2021 are as follows:

- increase of the scope of works on selected contracts in the Parent Company, which positively contributed to the improvement of margin by including additional revenues in the budgets of these contracts. The positive effect on the gross result from the sale of the Parent Company and, as a result, the Group as a whole, was also caused by including in the budgets of selected contracts additional revenues resulting from the revaluation of contracts, due to the increase in price indices included in contracts. Moreover, the level of gross margin on sales has been affected by technical optimization on certain contracts resulting in reduced budgeted costs, as well as organizational optimization resulting in increased efficiency on selected contracts;
- transaction of sale by the Parent Company of the property on Oliwska Street in Warsaw for the amount of PLN 25,000 thousand, about which the Parent Company reported in current report No. 43/2021;
- an adjustment of the value of "investments in subsidiaries" in the Parent Company's separate balance sheet in the amount of PLN 18,513 thousand;
- the protracted process of the Company's negotiations with financial institutions as a part of the second round of financing resulting in insufficient level of working capital financing, which impacted the reduction in the level of sales;
- ongoing restrictions related to the COVID pandemic, including: longer periods needed in order to obtain administrative decisions; disruptions in works acceptance process by the contracting parties due to partial remote working; lower availability of subcontractors employing foreigners (detailed information have been provided in note 2.5 hereof);
- in connection with the outbreak of the war in Ukraine, the Group analyzed the influence of the war events on the future financial results of the Issuer and its Capital Group and did not identify, as at the date of publication of this report, the significant impact of the above events on the financial statements of the Company and the consolidated financial statements of Trakcja Group (details are presented in note 2.10 hereof).

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

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

3.4. Transactions, hedgind instruments and application of hedge accounting

The Group did not conclude cash flow hedging transaction in 2021 and held no derivative instruments as at December 31, 2021.

In 2021, Trakcja Group companies did not apply hedge accounting.

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

The Management Board of the Parent Company did not publish forecasts of the financial results of the Company and the Group for 2021.

On January 31, 2022, the preliminary analysis of available financial results of individual entities of the Issuer's Group and the process of collecting financial data for the preparation of the consolidated financial statements of Trakcja Group for the period of 12 months ended on December 31, 2021, was completed. Accordingly, the Parent Company published (RB No. 5/2022):

The preliminary estimates consolidated of the Trakcja Group's financial performance for the fourth quarter of 2021:

Revenue on sales: PLN 454,379,000.00;
Gross result from sales: PLN 36 499,000.00;
EBITDA: PLN 51,859,000.00;
Gross profit: PLN 34,472,000.00;

The preliminary estimates consolidated of Trakcja Group's financial performance for 12-month period ending on 31 December 2021:
Revenue on sales: PLN 1,424,817,000.00;
Gross result from sales: PLN 64,886,000.00;
EBITDA: PLN 65 242,000.00;
4,598,000.00.

On February 22, 2022, as a result of the impairment tests carried out on investments in subsidiary AB Kauno Tiltai, the Parent Company published (RB No. 10/2022):

The preliminary estimates of Trakcja S.A.'s financial performance for the fourth quarter of 2021:
Revenue on sales: PLN 249,812,000.00;
Gross result from sales: PLN 15,164,000.00;
EBITDA: PLN 28,242,000.00;
Gross profit: PLN 42,542,000.00;

and the preliminary estimates of Trakcja S.A.'s financial performance for 12-month period ending on 31 December 2021:
Revenue on sales: PLN 792,849,000.00;
Gross result from sales: PLN 22,515,000.00;
EBITDA: PLN 27,892,000.00;
Gross profit: PLN 15,294,000.00

On April 20, 2022 (current report 20/2022), as a result of the change in the estimates adopted in the process of preparation of the financial statements, there was a significant change in published preliminary estimates of the Company's and Group's results for the fourth quarter of 2021 and for the period of 12 months ended 31 December 2021, which the Company published in current reports No. 10/2022 and No. 5/2022, respectively.

The previously published estimated results of the Company and the Group for the periods mentioned above have changed mainly due to:

1. modification of estimates relating to provisions for adjustment works on two railway contracts;
2. change in estimates of provisions for employee bonuses for 2021;
3. change in estimates of impairment of trade receivables past due over 365 days;
4. change in estimates of the results recorded in the budgets of two contracts in relation to settlement agreements concluded after the balance sheet date.

The total impact of the above adjustments on the gross profit of Trakcja S.A. and Trakcja Group for the fourth quarter of 2021 and for the period of 12 months ended December 31, 2021 is negative and amounts to PLN 5,791 thousand.

The preliminary estimates of Trakcja S.A.'s financial performance for the fourth quarter of 2021:

Revenue on sales: PLN 249,725,000.00

Gross result from sales: PLN 7,940,000.00

EBITDA: PLN 22,451,000.00

Gross profit: PLN 36,751,000.00

The preliminary estimates of Trakcja S.A.'s financial performance for 12-month period ending on 31 December 2021:

Revenue on sales: PLN 792,762,000.00

Gross result from sales: PLN 15, 291,000.00

EBITDA: PLN 22,101,000.00

Gross profit: PLN PLN 9,503,000.00

The preliminary estimates of the Trakcja Group's financial performance for the fourth quarter of 2021:

Revenue on sales: PLN 456,367,000.00

Gross result from sales: PLN 29,061,000.00

EBITDA: PLN 45,897,000.00

Gross profit: PLN PLN 28,248,000.00

The preliminary estimates of the Trakcja Group's financial performance for the 12-month period ending on 31 December 2021

Revenue on sales: PLN 1,424 841,000.00

Gross result from sales: PLN 57,638,000.00

EBITDA: PLN 59,283,000.00

Gross profit: PLN PLN: -1 625,000.00

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

4. SHARES AND SHAREHOLDING STRUCTURE OF TRAKCJA

4.1. Shareholding structure

As at December 31, 2021 the share capital was PLN 69,160,780.80 and was divided into 51,399,548 series A ordinary bearer shares and 10,279,909 series B ordinary bearer shares and also 24,771,519 series C registered shares with a par value of PLN 0.80 per share. Each share constitutes one vote at the General Meeting of Shareholders. All shares are fully paid-up.

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 ("WZ") as at the date of approval of these financial statements for publication is as follows:

Shareholders	Number of shares	% in share capital	Number of votes	% in votes at GSM
COMSA S.A.	28 399 145	32,85%	28 399 145	32,85%
Agencja Rozwoju Przemysłu S.A.[1]	16 117 647	18,64%	16 117 647	18,64%
Other	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.

From the date of publication of the last periodic report, i.e. November 24, 2021, until the publication of this report, the Company has not received any notifications pursuant to Art. 69 of the Act on Public Offering.

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

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

4.3. Agreements regarding potential changes in the shareholding structure

Contingent agreement between ARP, PKP PLK and the State Treasury of the Republic of Poland - Minister of Infrastructure

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, 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. Detailed information is provided in current report No. 10/2021.

On May 24, 2021, the Parent Company delivered delayed as of November 26 ,2020 confidential information concerning the receipt from 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.

On May 24 ,2021, the Parent Company informed that it had received on November 25, 2020 a notification from 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.

On May 10, 2021, the Parent Company informed about the convening of the General Meeting of Trakcja S.A. for September 10, 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 (Giełda Papierów Wartościowych w Warszawie S.A.) of the E-series shares and on the amendment of the Articles of Association.

On May 24, 2021, ARP submitted to the Company a request to supplement draft resolutions on matters on the agenda of the Parent Company's NWZ 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 Articles of Association was submitted, including intel alia 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.

On September 10, 2021, an Extraordinary General Meeting (the "NWZ") of the Parent Company took place, during which, on the basis of a request made by ARP shareholder 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, a resolution was adopted at the request of ARP to convene the NWZ on November 29, 2021, during which the above mentioned resolution is to be considered. At the same time, on September 10, 2021 the Parent Company informed about the convening of the Extraordinary Meeting of Shareholders of Trakcja S.A. for November 29, 2021. Detailed information is provided in current reports No. 37/ 2021 and No. 40/2021.

In relation to the requests made by the ARP shareholder, the Company's NWZ, which was convened on November 29, 2021, announced a break in proceedings until December 21, 2021, and then a further break in proceedings until December 29, 2021. Detailed information is provided in current reports No. 48/ 2021 and No. 54/2021.

On December 29, 2021, the Extraordinary Meeting of Shareholders of the Company 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 Articles of Association. Detailed information is provided in current report No. 58/2021.

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 reports No. 6/ 2022 and No. 7/2022. 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 Articles of Association". Detailed information is provided in current report No. 19/2022.

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

On November 19, 2021, the shareholders of the Company: 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, and 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 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 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 preliminary agreement for the sale of shares and conditional agreement for the sale of bonds issued by the Company in the event that the General Meeting of the Company does not adopt a resolution concerning the increase in the share capital of the Company by issuing 250,000,000 new ordinary E-series shares with a value of PLN 0,80 each.

4.4. Employee share schemes

In 2021, Trakcja Group did not operate an employee share scheme.

4.5. Acqusition of treasury shares

In 2021, Trakcja did not acquire treasury shares.

5. OTHER INFORMATION

5.1. Loans and borrowings contracted and terminated

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

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.

Credits and loans taken in 2021

In the period covered by this report, the companies from the Trakcja Group, under the already signed loan agreements with financing institutions, only signed annexes.

The parent company signed the following annexes

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:

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

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

c. 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.

Agreements relating to credits and loans terminated or expired in 2021

On March 3, 2021, the Parent Company notified in its current report 6/2021 that it received payment for the sale of the real estate at Lotnicza 100 Street in Wrocław in the total amount of PLN 53,000 thousand, of which the amount of PLN 50,150 thousand the buyer transferred by wire transfer to mBank S.A. account, in order to repay the Company's entire liability under the working capital (in the amount of PLN 50 million, including interest) secured by a joint contractual mortgage established on the sold real estate, which will allow to cross out the mortgage. The remaining amount, after the liability under the working capital facility has been repaid, was transferred by mBank S.A. to the Company's bank account.

On September 16, 2021, the Parent Company repaid the last installment of the investment credit with a value of PLN 21,500 thousand to the account of mBank S.A. and thus the agreement expired.

In 2021, the Issuer's subsidiary BTW sp. z o.o. repaid the last installment of the investment loan of EUR 1,800 to Plasser & Theurer, Export von Bahnbaumaschinen, Gesesellschaft m.b.H.

In 2021, the credit agreements concluded by the Issuer's subsidiaries were not terminated by the financing entities.

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.

5.2. Borrowings extended in the financial year

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

Lender	Borrower	Amount of loan (th PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
Trakcja S.A.	Dalba sp. z o.o.	1 000	PLN	02.02.2024	WIBOR 1M + margin	1 136	subsidiary
Trakcja S.A.	PDM S.A.	2 000	PLN	28.02.2024	WIBOR 1M + margin	2 239	subsidiary
Trakcja S.A.	PRK 7 Nieruchomości sp. z o.o.	3 000	PLN	30.06.2020	WIBOR 3M + margin	6	subsidiary
Trakcja S.A.	Torprojekt sp. z o.o.	1 900	PLN	28.02.2024	WIBOR 3M + margin	2 093	subsidiary
Trakcja S.A.	Torprojekt sp. z o.o.	300	PLN	28.02.2024	WIBOR 3 M + margin	329	subsidiary
Trakcja S.A.	Torprojekt sp. z o.o.	300	PLN	28.02.2024	WIBOR 3M + margin	329	subsidiary
Trakcja S.A.	Torprojekt sp. z o.o.	200	PLN	28.02.2024	WIBOR 3M + margin	219	subsidiary
Trakcja S.A.	Torprojekt sp. z o.o.	200	PLN	28.02.2024	WIBOR 3M + margin	215	subsidiary
Trakcja S.A.	Torprojekt sp. z o.o.	500	PLN	28.02.2024	WIBOR 1M + margin	511	subsidiary
Trakcja S.A.	Torprojekt sp. z o.o.	200	PLN	28.02.2024	WIBOR 1M + margin	204	subsidiary
Trakcja S.A.	Torprojekt sp. z o.o.	1 500	PLN	28.02.2024	WIBOR 1M + margin	1 512	subsidiary
PRK 7 Nieruchomości sp. z o.o.	Trakcja S.A.	3 500	PLN	24.02.2024	WIBOR 1 M + margin	3 061	subsidiary
PRK 7 Nieruchomości sp. z o.o.	Trakcja S.A.	3 000	PLN	28.02.2024	WIBOR 3M + margin	2 844	subsidiary
Dalba sp. z o.o.	Trakcja S.A.	1 000	PLN	28.02.2024	WIBOR 3M + margin	932	subsidiary
BTW sp. z o.o.	Trakcja S.A.	2 000	PLN	28.02.2024	WIBOR 3M + margin	1 848	subsidiary
BTW sp. z o.o.	Trakcja S.A.	3 000	PLN	15.02.2025	WIBOR 1M + margin	1 999	subsidiary
BTW sp. z o.o.	Trakcja S.A.	8 000	PLN	15.03.2025	WIBOR 1M + margin	5 484	subsidiary
PDM S.A.	Trakcja S.A.	2 500	PLN	28.02.2024	WIBOR 3M + margin	720	subsidiary
PEUiM sp. z o.o.	Trakcja S.A.	2 000	PLN	28.02.2024	WIBOR 1M + margin	2 145	subsidiary
PEUiM sp. z o.o.	Trakcja S.A.	2 000	PLN	28.02.2024	WIBOR 1M + margin	2 157	subsidiary
PEUiM sp. z o.o.	Trakcja S.A.	3 000	PLN	28.02.2024	WIBOR 1M + margin	3 156	subsidiary
PEUiM sp. z o.o.	Trakcja S.A.	2 500	PLN	28.02.2024	WIBOR 1M + margin	250	subsidiary

PEUiM sp. z o.o.	Dalba sp. z o.o.	700	PLN	28.02.2024	WIBOR 1M + margin	743	subsidiary
PEUiM sp. z o.o.	Dalba sp. z o.o.	300	PLN	30.04.2022	WIBOR 1M + margin	309	subsidiary
PEUiM sp. z o.o.	Dalba sp. z o.o.	500	PLN	31.05.2022	WIBOR 1M + margin	514	subsidiary
AB Kauno Tiltai	Trakcja S.A.	3 500	EUR	01.01.2023	fixed interest rate	17 044	subsidiary
UAB Kelda	AB Kauno Tiltai	480	EUR	31.01.2024	fixed interest rate	2 356	subsidiary
AB Kauno Tiltai	AB Kauno Tiltai TŪB "Koncorciumas TILTRA"	70	EUR	31.12.2022	fixed interest rate	291	subsidiary
AB Kauno Tiltai	UAB "Transporto Infrastruktūra"	100	EUR	31.12.2020	fixed interest rate	33	subsidiary
					Total	**54 678**	

5.3. Sureties and guarantees issued and received

The table below summarises guarantees issued by the Parent Company:

Beneficiary	Value of guarantee 31.12.2021
PKP PLK S.A.	519 344
GDDKiA	101 865
WZDW Poznań	10 811
Gmina Kraków	7 047
Pomeranian Voivodeship	4 876
Other	41 104
Total	**685 047**

The table below summarises guarantees received by the Parent Company:

Subcontractor	Value of guarantee in thousand PLN
Krakowskie Zakłady Automatyki S.A.	24 066
Menard Polska	6 131
Keller Polska	5 351
Bombardier	5 167
Kolejowe Zakłady Automatyki S.A.	3 605
Other	33 934
Total	**78 254**

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

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

	Value of surety in thousand PLN
To subsidiaries	950 892
Total	**950 892**

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

	Value of surety in thousand PLN
From subsidiaries	950 892
Total	**950 892**

5.4. Proceeds from issues of securities

In 2021 neither Trakcja S.A. nor Trakcja Group received any proceeds from the issue of securities.

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

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).

5.5. Material off-balance sheet items

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

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

5.6. Significant 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.

5.7. Related-party transactions

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

For detailed information on related-party transactions, see Note 5.4 to the Consolidated financial statements of Trakcja Group for 2021.

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

Total amount of the remuneration and other benefits paid to members of the Parent Company's Management Board in 2021 is presented in the table below.

Management Board of the Parent Company		Parent Company				Subsidiaries			
		Remunaration	Awards	Other benefits	Total	Remunaration	Awards	Other benefits	Total
Marcin Lewandowski	President of Management Board	1 563	124	6	**1 693**	-	-	-	**-**
Paweł Nogalski	Vice-President of the Management Board	858	81	19	**958**	-	-	-	**-**
Arkadiusz Arciszewski	Vice-President of the Management Board	600	66	3	**669**	-	-	-	**-**
Aldas Rusevicius	Vice-President of the Management Board	120	10	-	**130**	604	319	14	**937**
Robert Sobków	Member of Management Board to 19.08.2021	550	47	8	**605**	-	-	-	**-**
Adam Stolarz	Member of Management Board	600	41	15	**656**	-	-	-	**-**
Total		**4 291**	**369**	**51**	**4 711**	**604**	**319**	**14**	**937**

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.

Remuneration and other benefits paid to members of the Parent Company's Supervisory Board in 2021 is presented in the table below.

Supervisory Board of the Parent Company		Parent Company				Subsidiaries			
		Remunaration	Awards	Other benefits	Total	Remunaration	Awards	Other benefits	Total
Dominik Radziwiłł	President of Supervisory Board	240	-	4	**244**	274	-	-	274
Jorge Miarnau Monserrat	Vice-President of the Supervisory Board	96	-	-	**96**	-	-	-	-
Magdalena Komaracka	Vice-President of the Supervisory Board from 10.09.2021	44	-	-	**44**	-	-	-	-
Klaudia Budzisz	Member of Supervisory Board	132	-	2	**134**	-	-	-	-
Michał Hulbój	Vice-President of the Supervisory Board to 10.09.2021	144	-	2	**146**	-	-	-	-
Miquel Llevat Vallespinosa	Member of Supervisory Board	132	-	-	**132**	274	-	-	274
Krzysztof Tenerowicz	Member of Supervisory Board	204	-	3	**207**	-	-	-	-
Fernando Perea Samarra	Member of Supervisory Board to 27.07.2021	77	-	-	**77**	-	-	-	-
Julio Alvarez	Member of Supervisory Board from 27.07.2021	66	-	-	**66**	-	-	-	-
Total		**1 135**	**-**	**11**	**1 146**	**548**	**-**	**-**	**548**

5.9. Agreements concluded between the Parent Company and managers

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

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

As at December 31, 2021, the Company is not employing Managing Directors pursuant to employment contracts; it also has no valid non-competition agreements.

As at December 31, 2021 Trakcja and Trakcja Group companies have no liabilities concerning pensions and benefits of a similar nature for former managerial or supervisory staff.

5.10. Significant events after the balance sheet date

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 exclusionof 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 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.	19/2022
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

5.11. Major R&D achievements

In 2021, as in previous years, Trakcja placed great emphasis on efforts related to Occupational Health and Safety at the construction sites. Observance of the basic safety rules, internal inspections as well as the reminders and educational information distributed contributed to a reduction in accidents. It is also important to note the special telephone application was implemented to monitor threats on construction sites.

Owing to the measures taken, the company has won an Safe Work Leader's Gold Card award.

5.12. Information on the statutory auditor

Pursuant to a resolution adopted by the Supervisory Board of Trakcja, the entity authorised to audit financial statements of the Group and the 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 of the statutory auditor for the services rendered for the Company is presented in the table below.

	Year ended	
	31.12.2021 Audited	**31.12.2020 Audited**
On account of agreement for financial statement audit	160	130
On account of agreement for financial statement review	70	70
Other certified services	44	40
Total	**274**	**240**

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**

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.

6. CORPORATE GOVERNANCE STATEMENT

6.1. The set of corporate governance standards applicable to the Issuer and the place where it is publicly available

From 1 July 2021, the Company is subject to the principles of corporate governance standards collected in the document entitled "Good Practices of Companies Listed on the WSE 2021", hereinafter referred to as "Good Practices 2021," adopted by Resolution No. 13/1834/2021 of the Warsaw Stock Exchange Board of March 29, 2021.

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

6.2. Degree of the Issuer's non-compliance with the corporate governance rules set out in the document entitled "Good Practices of Companies Listed on the WSE 2021" pursuant to resolution No. 13/1834, applicable from 1 July 2021, specification of the rules not complied with, and reasons for the non-compliance

The Company has committed itself to comply with the recommendations and corporate governance principles contained in the document "Good Practices of Companies Listed on the WSE 2021" with the exception of the following recommendations and principles:

1. Recommendations and rules set out in Section 1 of the Good Practices:

1.3 In its business strategy, the company also takes into account ESG, in particular:

1.3.1 environmental issues, including measures and risks related to climate change and sustainability issues;

Explanation:

The Company did not adopt a strategy in the form of a formalized document, because the situation in the markets on which the Company operates is so dynamic, that the strategy often would become obsolete. The Company's Management Board is constantly evaluating the market's business situation and circumstances, taking them into account in the decisions concerning implemented projects and the involvement in the various sectors of the construction market. Despite the lack of strategy, the Company takes environmental issues into account in its activities. The Company monitors the environmental impact of the Company by recording e.g. spent fuel, materials, air emissions, and by performing research and measurement. Environmental standards implemented in the Company address inter alia use of environment, product purchases, water protection, wildlife protection, noise and dust reduction, and vehicle, machine and equipment washing. These standards are, on the one hand, an indication of existing legal requirements and, on the other hand, the introduction of so-called "good practices" that are environmentally friendly.

1.3.2. social and labor matters, concerning inter alia measures taken and planned to ensure gender equality, good working conditions, respect for workers' rights, dialog with local communities, customer relations.

Explanation:

The Company did not adopt a strategy in the form of a formalized document, because the situation on the markets on which the Company operates is so dynamic, that such a strategy would often become obsolete. The Company's Management Board is constantly evaluating the market's business situation and circumstances,

taking them into account in the decisions concerning implemented projects and the involvement in the various sectors of the construction market. As regards social and labor matters, the Company has implemented an internal procedure to ensure equal treatment of employees and to combat discrimination (including discrimination on grounds of gender) and harassment in the workplace. In addition, the Company's Code of Ethics focuses on values and ethical principles regarding inter alia responsibilities, trust, culture of work and integrity, security, competence and professionalism, which the Company promotes and applies both internally and externally, and in its dealings with government and business partners.

1.4 In order to ensure proper communication with stakeholders, within the scope of the business strategy adopted, the Company includes on its website information on the objectives of its strategy and the measurable objectives, including in particular long-term objectives, activities planned and the progress made in achieving it, as determined by financial and non-financial indices. Information on the strategy in the area of ESG should inter alia:

Explanation:

The principle is not applied as explained in rule 1.3.

1.4.1. explain how climate change issues are taken into account in the decision-making processes of the company and its group's entities, indicating the risks arising from them;

Explanation:

The principle is not applied as explained in rule 1.3.

1.4.2. present the value of the equal salary index paid to its employees, calculated as a percentage difference between the average monthly salary (including bonuses, prizes and other allowances) of women and men for the past year, and provide information on the measures taken to eliminate any inequalities in this respect, together with the presentation of the risks involved and the time horizon for achieving equality.

Explanation:

The principle is not applied as explained in rule 1.3.

1.6. In the case of a company belonging to the WIG20, mWIG40 or sWIG80 index, the company organizes a meeting for investors on a quarterly basis and, in the case of other companies, at least once a year, inviting in particular shareholders, analysts, industry experts and media representatives. During the meeting, the management board of the company presents and comments on the strategy and its implementation, the financial performance of the company and its group, as well as key events affecting the company's and its group's activities, performance and prospects for the future. During the meetings organized, the management board of the company provides public answers and explanations to the questions asked.

Explanation:

The Company does not organize meetings with investors with the frequency required by rule 1.6.

1.7. If an investor requests information about a company, the company responds promptly but not later than in 14 days.

Explanation:

By analogy to Article 428 of the Code of Commercial Partnerships and Companies (in particular, within the scope of § 6 of this Article), which does not establish on the Company an absolute obligation to provide information outside the general meeting, the Company reserves the possibility not to provide information on the investor's request, but the Company always will examine the subject matter and scope of the question, so as to be able to provide information as far as possible.

2. Recommendations and rules set out in Section 2 of the Good Practices:

2.1. The company should have a diversity policy in respect of its management and supervisory board, adopted by the supervisory board or the general meeting, as appropriate. Diversity policy sets out the objectives and criteria for diversity, inter alia in areas such as gender, educational background, expertise, age and professional experience, and indicates the timeframe and way in which these objectives are to be monitored. In terms of gender diversity, the diversity of the company's bodies means a minority share of not less than 30% of the body concerned.

Explanation:

The Company is not able to appoint candidates for positions in the bodies and influence the decisions of shareholders and the Supervisory Board, in particular taking into account the current content of the Company's Articles of Association, which gives the selected shareholders the power to appoint the members of the Management Board and the Supervisory Board independently (Article 13(4)(1) and (2); Article 18(2)(2) and (3)). Taking into account the past practice of shareholders and the Supervisory Board with appointments made, the most important criteria were, and are: education, knowledge, competence of members of the bodies and their professional experience. For the above reasons, the Company did not develop a diversity policy concerning the Management Board and the Supervisory Board.

2.2. The persons deciding on the selection of the members of the management or supervisory board of a company should ensure the versatility of those bodies by selecting persons assuring diversity, enabling inter alia to achieve a minimum minority participation rate of not less than 30%, in line with the objectives set out in the adopted diversity policy, referred to in rule 2.1.

Explanation:

Taking into account the explanation given under rule No. 2.1 and considering that the Company is not able to ensure that shareholders appoint an under-represented sex as a part of the bodies, it is difficult to indicate when the participation of these persons in the Company's bodies will be at least 30 %.

2.4. The votes of the supervisory board and the management board shall be public unless otherwise required by law.

Explanation:

In line with the Regulations of the Supervisory Board, voting at meetings of the Supervisory Board is in principle public, but § 11(2) of the Regulations of the Supervisory Board provides, that voting is secret in two cases: (1) in the case of personal matters, and (2) the secret ballot is managed at the request of at least one of the members of the Supervisory Board. The Company does not exclude any change in the Regulations of the Supervisory Board in the future so that the principle is applied.

2.7. The supervisory board's approval is required for the management board members to perform functions in the bodies of entities outside of the group's companies.

Explanation:

The corporate documents do not provide for such an obligation, although the members of the Management Board are required to obtain the approval of the Supervisory Board to conduct a competitive activity to the Company (Article 16(2)(4) of the Articles of Association).

2.11.6. information on the degree of implementation of diversity policy in relation to the management and supervisory board, including the achievement of the objectives referred to in rule 2.1.

Explanation:

The Company does not apply rule 2.1, so such an assessment would not be necessary.

3. Recommendations and rules set out in Section 3 of the Good Practices:

3.6 The head of the internal audit shall be under the organizational authority of the president of the management board and functionally under the chairman of the audit committee or the chairman of the supervisory board, if the board acts as an audit committee.

Explanation:

In accordance with Article 18(2)(2) of the Articles of Association, the Management Board is composed of a Member of the Management Board responsible for an internal audit and therefore the head of the internal audit is not organizationally accountable to the President of the Management Board. The board member responsible for the internal audit is subject to the supervision of the Supervisory Board. Despite this circumstance relating to the Company's organizational structure, the head of the internal audit (who is a member of the Management Board) has direct and unrestricted access to the Management Board (including the President of the Management Board), the Supervisory Board and the Audit Committee. The Company does not exclude that it will take action to change the organizational reporting of the internal audit.

4. *Recommendations and rules set out in Section 4 of the Good Practices:*

4.1. The company should allow shareholders to participate in the general meeting by electronic means (e-General Meeting), if it is justified by the shareholders' expectations notified to the company and if it is able to provide the technical infrastructure necessary for the conduct of such general meeting.

Explanation:

The Company shall waive this principle because of the current legal uncertainties and risks regarding the correct and secure conduct of the general meeting by electronic means. Potential technical problems in the course of the e-General Meeting, in particular those affecting the effective and unrestricted participation of shareholders and voting, may result in grounds for the annulment of resolutions adopted at the e-General Meeting, which would be highly undesirable in the case of resolutions of significant importance to the Company and its functioning.

4.8. Draft resolutions of the general meeting on the items on the agenda should be notified by the shareholders at the latest 3 days before the general meeting date.

Explanation:

The principle is not applied given that the general rules (Article 401(4) and (5) of the Code of Commercial Partnerships and Companies) allow shareholders to submit draft resolutions by the day of the general meeting and therefore the time for exercise of this power will not be limited.

4.9.1. applications for members of the council should be made within a time limit which allows the shareholders present at the general meeting to take a decision with due knowledge, but not later than 3 days before the general meeting date; applications, together with a set of materials concerning them, should be published immediately on the company's website;

Explanation:

The principle is not applied given that the general rules do not limit the timeframe to propose candidates to the Supervisory Board by shareholders, therefore the time for exercise of this power will not be limited.

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

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

1) liquidation of the Company;

2) increasing the Company's share capital, cancelation of the Company's shares and reducing the Company's share capital;

3) issuing convertible bonds or other securities conferring the right to vote;

4) granting options conferring the right to acquire shares or other securities of the Company, and their terms;

5) waiving the Shareholders' pre-emptive rights to new shares;

6) selling the business or its organised part;

7) recalling or suspending the Management Board members or the Supervisory Board members;

8) merger, demerger and transformation of the Company;

9) cancellation of dematerialization of the Company's shares;

10) amending the Articles of Association

must be adopted by a 2/3 (two thirds) majority of the votes cast, when required by law. Moreover, the Company's Articles of Association provide for a qualified majority of 80% of votes present at the General Meeting 71 in favour" of adopting a resolution on amending Articles 13.1, 13.7, 16.3 and 16.7 of the Articles of Association and on the cancellation of shares.

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

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

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

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

The Management Board

As at December 31, 2021, the Management Board was composed of: Marcin Lewandowski, Paweł Nogalski, Arkadiusz Arciszewski, Aldas Rusevičius and Adam Stolarz. As at the date of issue of this statement, the composition of the Company's Management Board was as follows:

- 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.

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.

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

The Company's Management Board operates in accordance with the Code of Commercial Partnerships and Companies, the Company's Articles of Association and the Rules of Procedure for the Management Board. Pursuant to the Company's Articles of Association, the Management Board consists of no more than 10 members, appointed and dismissed by the Supervisory Board.

The existing powers of appointing and dismissing members of the Management Board, which were entitled to ARP and COMSA under the terms of the Articles of Association, expired on January 1, 2022.

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

Commercial proxies

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

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

Supervisory Board

In 2021, Fernando Perea Samarra and Michał Hulbój were dismissed from Supervisory Board. In their place, Julio Alvarez Lopez and Magdalena Komaracka were appointed to the Supervisory Board. Composition of the Supervisory Board of the Company as at the date of publication of this report was as follows:

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

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

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

Members of the Supervisory Board are appointed and dismissed from office by the General Meeting.

Current privileges regarding the appointment and dismissal of members of the Supervisory Board, which were held by ARP and COMSA on the basis of the provisions contained in the Articles of Association, expired on January 1, 2022.

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

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

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

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

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

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

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

Audit Committee

On 25 July 2013, the Company's Supervisory Board appointed from among its members the Audit Committee. As at December 31, 2021 and at present, the committee has the following members:

- Mr Krzysztof Tenerowicz (Chairman of the Audit Committee and independent member of the Supervisory Board) – has knowledge and skills in accounting or auditing financial statements due to having obtained a PhD in finance from the Cracow University of Economics. As part of his professional work, he served, among others, as Member of the Management Board for Financial Affairs and Director General at Radio Kraków S. A., where he supervised the accounting department.
- Mr. Julio Alvarez Lopez (Member of the Audit Committee) – has accounting or auditing skills and knowledge due to his Bachelor in Business Administration (Finance) degree awarded by the Faculty of Economics of Barcelona, completed post-graduate studies in Corporate and Structured Finance, as well as due to his CIIA certificate (Certified International Investment Analyst) issued by ACIIA (Switzerland)

and the CEFA certificate (Certified European Financial Analyst) issued by the European Federation of Financial Analyst Societies (EFFAS).

Mr. Julio Alvarez Lopez gained skills and professional experience, inter alia, in accounting and financial reporting succesively in BANCO SABADELL as a financial advisor to leasing transactions for large corporations, in ARTHUR ANDERSEN, where he worked for three years as a financial auditor, auditing finances and accounting of the largest Spanish telecommunication, public and engineering services companies and conducting number of Due Diligence processes in a listed company AGUAS DE BARCELONA (AGBAR GROUP), where he managed the international controlling division, being responsible for reporting and financial control of all of the subsidiaries of LATAM and US, as well as conducting and cooperating of several M&A processes and stock exchange transactions within the Group and in COMSA CORPORACION, where he has held various responsible positions in corporate Finance and Strategy departments. During this period and currently Mr. Julio Alvarez Lopez is managing several structured financing transactions, international mergers and acquisitions (buy and sell-side) processes and defining and implementing various strategic plans within COMSA Group and its subsidiaries. In addition, due to many years of work in COMSA group, Mr. Julio Alvarez Lopez has knowledge and skills in the field in which the Company operates.

- Mrs. Magdalena Komaracka - (member of the Audit Committee and independent member of the supervisory board) -has the knowledge and skills in accounting or auditing due to her Master's degree in Finance and Banking from SGH Warsaw School of Economics and in Finance International Business from Handelshøjskolen Aarhus. During her studies at Aarhus School of Business she also attended MBA-level courses at Saint Louis University. Additionally, Mrs. Magdalena Komaracka holds CFA (Chartered Financial Analyst) certificate, which requires passing examinations and, inter alia, knowledge in the fields of reporting, financial analysis, and corporate finance.

  Mrs. Magdalena Komaracka has gained skills and professional experience including accounting and financial reporting, working with advisory, asset management, brokerage, bank and insurance companies. In 2003-2004 she worked in consultancy firms (KPMG) participating in projects related to valuations, acquisitions and spin-off advice, co-creating financial models for companies. In 2005-2006 she worked in the PZU Group in the asset management department as a share analyst supporting managers in investment decisions, providing them with investment analysis. The work as the analyst in brokerage offices in the years 2006-2018, in IPOPEMA, Raiffeisen and Erste Securities, respectively, as well as Director of the Analysis Department (Erste) involved creation of financial projections, financial modeling and valuation of listed companies, which requires knowledge of accounting and of reporting rules. Cooperation with the PZU Group, where Mrs. Magdalena Komaracka is responsible, inter alia, for the report on the activities of the management board preparing process and for ongoing communication with financial investors, has further contributed to increasing awareness of the aspects of insurance accounting and financial reporting.

The Audit Committee assessed the independence of the firm auditing the financial statements and agreed to the provision of additional services consisting of assessing the compliance of the consolidated financial statements for 2021 and 2022 with the requirements of Regulation No. 2019/815 of December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council in regard to regulatory technical standards for the specifications concerning the European Single Electronic Format (ESEF).

The Audit Committee recommended the selection of an audit firm to conduct the audit in accordance with the Company's audit firm selection policy (the last audit firm selection was made in 2021). In addition, in 2021, the Audit Committee agreed to the provision of additional services by the Company's auditor to assess the compliance of consolidated financial statements for the years 2021 and 2022 with the requirements of

Regulation No. 2019/815 of December 17, 2018 with regard to regulatory technical standards for the specification concerning the European Single Electronic Format (ESEF).

The Audit Committee held 9 sessions in 2021.

Remuneration Committee

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

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

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

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

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

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

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

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

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

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

From the date of publication of the last periodic report, i.e. 24 November 2021, to the date of publication of this report, the Company has not received notifications pursuant to Article 69 of the Offering Act.

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

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

6.8. Restriction on voting rights

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

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

On October 8, 2019 the shareholder (COMSA) concluded with mBank S.A. ("mBank") and Santander Bank Polska S.A. – Santander Dom Maklerski (the "Brokerage House") an agreement on limiting the disposal of shares, according to which COMSA may not, without the consent of mBank dispose, to a certain extent, of the shares held in Trakcja S.A. during the period ending on December 31, 2021.

The shareholder of COMSA, as pledger, on July 22, 2021, entered into an agreement with BANCO BILBAO VIZCAYA ARGENTARIA, S.A., BANCO DE SABADELL, S.A., BANCO SANTANDER, S.A, BANCO SANTANDER (MÉXICO) S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO SANTANDER MÉXICO, BANCO SANTANDER-CHILE, CAIXABANK, S.A., ("Pledgees") as pledgees, establishing registered pledges and financial pledges on shares of Trakcja S.A. ("Pledge Agreement"), pursuant to which COMSA may not, without the Pledgees' consent, dispose of the registered shares held in Trakcja S.A. during the period of security pursuant to the Pledge Agreements. In addition, the Management Board of the Company was informed by COMSA S.A.U. (the "Shareholder") of the conclusion of an agreement concerning the pre-emptive right to buy shares of the Company (the "Pre-emptive Right") by the Shareholder with the Industrial Development Agency ("Investor") on October 10, 2019. The Pre-emptive Right obliges the Shareholder, in the event of a decision by the Shareholder to sell at least 5% of the share capital of the Company as a result of receiving an offer to acquire such block of shares from another entity, to notify the Investor of such a transaction, thereby allowing him to acquire the shares in question under the

conditions indicated by the Shareholder (the pre-emptive right). If the investor does not exercise the pre-emptive right, the Shareholder may dispose of the block in question under the same or better conditions within time limit set up in the Pre-emptive Right The Pre-emptive Right is valid until December 31, 2022 or until the date when the Investor or Shareholder ceases to hold, directly or indirectly, at least 5% of the Company's shares.
Apart from the above, and apart from the limitations following from commonly applicable laws and the Company's Articles of association, there are no restrictions on the transferability of the Company's securities.

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

Any amendments to the Company's Articles of Association are made in accordance with the rules set forth in the commonly applicable provisions of law subject to the exceptions indicated in the Articles of Association. In accordance with the Articles of Association, resolutions of the General Meeting concerning amendments to Articles 13.1, 13.7, 16.3 and 16.7 of the Articles of Association (related to the composition of the Supervisory Board and the procedure for the adoption of certain resolutions) require at least 80% of the votes present at the General Meeting cast in favour of such a resolution to be valid. Resolutions of the General Meeting concerning cancellation of shares require at least 80% of votes present at the General Meeting cast in favour of such a resolution to be valid.

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

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

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

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

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

The Company has not adopted a separate document on diversity policy. Despite that, the Company endeavours to comply with the diversity principles, which is reflected in the share of women employed as white-collar

employees and the share of women employed as managers. The Company follows the diversity principles any time it has an opportunity to do so. This is reflected in the composition of the Supervisory Board. The persons appointed satisfy the requirements of versatility and diversity, in particular, as far as their education, age and professional experience are concerned. High qualifications and professional preparation to perform a given function are the key factors in determining whether a person may take up a particular position.

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

6.13. Information on sponsorship expenditures in accordance with rule 1.5 of the Good Practices 2021

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

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

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

Expenditure incurred by the Group in promoting culture, sport, charitable organizations, the media, social organizations and trade unions:

Parent Company:

	01.01.2021 - 31.12.2021
Expenses for:	**th. PLN**
- sporting events	20
- natural persons	5
- media	4
- trade unions	9
Total	**38**

Group:

	01.01.2021 - 31.12.2021
Expenses for:	**th. PLN**
- cultural events	10
- medical assistance, COVID, support for medical institutions	9
- cultural institutions	17
- sporting events	20
- natural persons	5
- media	4
- trade unions	9
- other	63
Total	**137**

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 Mangement Board

Jacek Gdański

Vice-President of the Management Board

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

To the best of our knowledge, the financial statements of Trakcja S.A. and the consolidated financial statements of Trakcja Capital Group for the period from 1 January 2021 to 31 December 2021 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial position and financial performance of Trakcja S.A. and Trakcja Capital Group. The Management Report on the activities of Trakcja Capital Group and Trakcja S.A. in 2021 gives a fair view of the development, achievements and position of Trakcja S.A. and Trakcja Capital Group, and includes a description of key risks and threats.

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

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

The Management Board of Trakcja S.A., on the basis of the representation of the Supervisory Board, informs that the entity authorised to audit financial statements, auditing the annual separate and consolidated financial statements of, respectively: the Parent Company and Trakcja Group for the 12-month period ended 31 December 2021 – BDO Spółka z ograniczoną odpowiedzialnością Sp. k. – has been selected in accordance with the provisions of law, and that:

- the audit firm and the members of the audit team met the conditions necessary to issue an impartial and independent audit report on the annual financial statements in accordance with applicable laws, professional standards, and principles of professional ethics,

- the Company complies with the applicable laws governing the rotation of audit firms and lead auditors as well as with the mandatory cooling-off periods,

- the Company has in place a policy governing the selection of audit firms and a policy on the provision of additional non-audit services by audit firms, their related parties or members of their networks to the Issuer, including services that are conditionally exempt from the prohibition on the provision of services by an audit firm.

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