



## **TRAKCJA CAPITAL GROUP**

CONSOLIDATED SEMI-ANNUAL REPORT  
FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2013

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

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## FINANCIAL HIGHLIGHTS OF THE CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
30.06.2013 r.	4,1777	4,0671	4,3432	4,3292
31.12.2012 r.	4,1736	4,0465	4,5135	4,0882
30.06.2012 r.	4,2456	4,1062	4,5135	4,2613

\* The average of the exchange rates binding as at the last day of each month in a given reporting period.

Main consolidated balance sheet line items converted into euro:

	30.06.2013		31.12.2012	
	k. PLN	k. EUR	k. PLN	k. EUR
Non-current assets	727 962	168 152	700 255	171 287
Current assets	788 383	182 109	627 247	153 429
<b>Total assets</b>	<b>1 516 345</b>	<b>350 260</b>	<b>1 327 502</b>	<b>324 716</b>
Equity	609 068	140 688	494 311	120 912
Long-term liabilities	150 132	34 679	154 377	37 762
Short-term liabilities	757 145	174 894	678 814	166 042
<b>Total equity and liabilities</b>	<b>1 516 345</b>	<b>350 260</b>	<b>1 327 502</b>	<b>324 716</b>

The FX rate set by the National Bank of Poland on the last day of a given reporting period has been accepted for the purpose of converting data in the consolidated balance sheet.

Main line items of the consolidated profit and loss account converted into euro:

	For the period of 6 months ended 30.06.2013		For the period of 6 months ended 30.06.2012	
	k. PLN	k. EUR	k. PLN	k. EUR
Sales revenues	555 848	133 051	582 760	137 262
Cost of goods sold	(520 996)	(124 709)	(556 566)	(131 092)
Gross profit (loss) on sales	34 852	8 342	26 194	6 170
Operating profit (loss)	13 135	3 144	36 804	8 669
Gross profit (loss)	3 874	927	19 713	4 643
Net profit (loss) from continued operations	377	90	19 569	4 609
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	377	90	19 569	4 609

The consolidated profit and loss account data were converted according to the average euro exchange rate calculated as the arithmetic mean of the exchange rates set by the National Bank of Poland as at the last day of each month in a given reporting period.

Main line items of the consolidated cash flow statement converted into euro:

	For the period of 6 months ended 30.06.2013		For the period of 6 months ended 30.06.2012	
	k. PLN	k. EUR	k. PLN	k. EUR
Cash flows from operating activities	(181 626)	(43 475)	(52 910)	(12 462)
Cash flows from investment activities	2 249	538	(51 707)	(12 179)
Cash flows from financial activities	111 288	26 639	(44 990)	(10 597)
Total net cash flows	(68 089)	(16 298)	(149 607)	(35 238)

The consolidated cash flow statement data were converted according to the average euro exchange rate calculated as the arithmetic mean of the exchange rates set by the National Bank of Poland as at the last day of each month in a given reporting period.

	30.06.2013		30.06.2012	
	k. PLN	k. EUR	k. PLN	k. EUR
Cash at the beginning of the period	121 193	29 645	222 562	50 390
Cash at the end of the period	53 767	12 420	72 955	17 120

To convert the above consolidated cash flow statement data, the following was assumed:

- the FX rate set by the National Bank of Poland as at the last day of a given reporting period – for the line item “Cash at the end of the period”;
- the FX rate set by the National Bank of Poland as at the last day of the reporting period preceding a given reporting period – for the line item “Cash at the beginning of the period”;

As at the last day of the financial year ended December 31, 2011, the FX rate was 4,4168 PLN/EUR.



**TRAKCJA**  
**CAPITAL GROUP**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2013  
PREPARED IN COMPLIANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

## APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja S.A. has approved the condensed consolidated financial statements of the Trakcja Capital Group for the period from January 1, 2013 to June 30, 2013.

The condensed consolidated financial statements for the period from January 1, 2013 to June 30, 2013 have been drawn up according to the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and applicable to interim reporting as approved by the European Union (IAS 34 "Interim Financial Reporting").

In these condensed consolidated financial statements, information is presented in the following order:

1. Consolidated profit and loss account for the period from January 1, 2013 to June 30, 2013, showing a net profit of PLN **377** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2013 to June 30, 2013, showing the total comprehensive income of PLN **18,502** thousand.
3. Consolidated balance sheet drawn up as at June 30, 2013, showing assets and liabilities of PLN **1,516,345** thousand.
4. Consolidated cash flow statement for the period from January 1, 2013 to June 30, 2013, showing a decrease in the balance of net cash by the amount of PLN **68,089** thousand.
5. Statement of changes in consolidated equity for the period from January 1, 2013 to June 30, 2013, showing an increase to consolidated equity by the amount of PLN **114,757** thousand.
6. Condensed notes and explanations.

The condensed consolidated financial statements have been prepared in thousands of Polish zloty, except for the line items explicitly indicating otherwise.

Some of the financial and operating data included in these condensed consolidated financial statements have been rounded. For this reason, in some of the tables presented in the statements, the sum of amounts in a column or row may differ slightly from the total amount stated for that column or row.

Roman Przybył  
President of the Board

Marita Szustak  
Vice – president of the Board

Nerijus Eidukevičius  
Vice – president of the Board

Tadeusz Kałdonek  
Vice – president of the Board

*Warsaw, August 30, 2013*

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## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	01.01.2013 - 30.06.2013	01.01.2012 - 30.06.2012
		Unaudited	Modified* Unaudited
<b>Continued operations</b>			
Sales revenues	13	555 848	582 760
Cost of goods sold		(520 996)	(556 566)
Gross profit on sales		34 852	26 194
Cost of sales, marketing and distribution		(3 107)	(3 638)
General and administrative costs		(23 621)	(27 351)
Other operating revenues	14	11 240	1 685
Other operating costs		(6 229)	(4 377)
Profit on the loss of control	15	-	44 291
Operating profit		13 135	36 804
Financial revenues		2 063	4 959
Financial costs	16	(11 324)	(22 050)
Gross profit		3 874	19 713
Income tax	17	(3 497)	(144)
Net profit from continued operation		377	19 569
<b>Discontinued operations</b>			
Net profit (loss) from discontinued operations		-	-
Net profit for the period		377	19 569
<b>Attributable to:</b>			
Shareholders of parent entity		435	20 436
Non-controlling interests		(58)	(867)
<b>Net profit / (loss) per one share in PLN</b>			
basic on profit from period		0,00	0,09
basic on profit from continued operations		0,00	0,09
diluted on profit from period		0,00	0,09
diluted on profit from continued operations		0,00	0,09

Modified\*) Change in presentation of costs - further details in note 10.3 of the condensed consolidated financial statements

## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	01.01.2013 - 30.06.2013	01.01.2012 - 30.06.2012
		Unaudited	Modified* Unaudited
<b>Net profit for the period</b>		<b>377</b>	<b>19 569</b>
<b>Other comprehensive income:</b>			
<b>Other comprehensive income that will not be reclassified into profit or loss under certain conditions:</b>		<b>5 762</b>	<b>-</b>
Profit from revaluation referred into revaluation reserve	19	5 762	-
<b>Other comprehensive income that will be reclassified to profit or loss:</b>		<b>12 363</b>	<b>(2 459)</b>
Foreign exchange differences on translation of foreign operations		13 025	(2 459)
Cash flow hedging instruments	29	(662)	-
<b>Total other comprehensive income</b>		<b>18 125</b>	<b>(2 459)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>18 502</b>	<b>17 110</b>
<b>Attributable to:</b>			
Shareholders of Parent entity		18 534	18 168
Non-controlling interests		(32)	(1 058)

Modified\*) Change in presentation of costs - further details in note 10.3 of the condensed consolidated financial statements

## CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.06.2013	31.12.2012	01.01.2012
		<i>Unaudited</i>	<i>Modified*</i>	<i>Modified*</i>
<b>Non-current assets</b>		<b>727 962</b>	<b>700 255</b>	<b>855 782</b>
Tangible non-current assets	20	190 173	192 849	316 512
Intangible assets		57 724	57 824	60 382
Goodwill from consolidation	21	384 356	374 969	382 404
Investment properties	22	29 145	17 800	15 896
Investments in associates		-	-	2 052
Investments in other units		25	24	25
Other financial assets		35 825	26 742	31 228
Deferred tax assets	17	28 452	26 551	43 150
Prepayments		2 262	3 496	4 133
<b>Current assets</b>		<b>788 383</b>	<b>627 247</b>	<b>1 069 726</b>
Inventory	23	123 869	93 866	150 741
Trade and other receivables	24	439 104	245 759	542 569
Income tax receivables		-	-	271
Other financial assets		16 433	26 422	28 767
Cash and cash equivalents	25	53 767	121 193	222 562
Prepayments		8 763	6 831	9 967
Construction contracts	26	146 447	133 176	110 214
Available-for-sale assets		-	-	4 635
<b>Total assets</b>		<b>1 516 345</b>	<b>1 327 502</b>	<b>1 925 508</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to shareholders of Parent entity</b>	<b>27</b>	<b>377 486</b>	<b>492 519</b>	<b>530 339</b>
Share capital		41 120	23 211	23 211
Basic conditional capital		-	18 545	-
Due payments for basic capital (negative value)		-	(18 545)	-
Share premium account		310 102	231 813	231 591
Revaluation reserve		8 158	2 396	2 343
Other capital reserves		(662)	242 529	199 775
Retained earnings		435	(12 764)	56 831
Foreign exchange differences on translation of foreign operations		18 333	5 334	16 588
<b>Non-controlling interests</b>	<b>28</b>	<b>1 760</b>	<b>1 792</b>	<b>18 600</b>
<b>Total equity</b>		<b>379 246</b>	<b>494 311</b>	<b>548 939</b>
<b>Long-term liabilities</b>		<b>150 132</b>	<b>154 377</b>	<b>355 950</b>
Interest-bearing bank loans and borrowings	31	52 688	97 911	134 216
Bonds	32	49 808	12 913	160 040
Provisions	30	3 392	3 718	3 460
Liabilities due to employee benefits		9 933	9 552	17 008
Deferred tax liabilities	17	33 625	30 283	41 144
Derivative financial instruments	29	686	-	58
Other financial liabilities		-	-	24
<b>Short-term liabilities</b>		<b>757 145</b>	<b>678 814</b>	<b>1 020 619</b>
Interest-bearing bank loans and borrowings	31	223 343	38 373	230 517
Bonds	32	240	147 761	5 695
Trade and other liabilities	33	352 089	333 361	570 766
Provisions	30	6 258	9 838	21 842
Liabilities due to employee benefits		10 749	8 744	13 567
Income tax liabilities		2 775	2 657	-
Derivative financial instruments	29	156	59	95
Other financial liabilities	34	9 630	-	4 647
Accruals		162	94	1 496
Construction contracts	26	148 804	133 430	151 451
Advances received towards flats		2 939	4 497	20 543
<b>Total equity and liabilities</b>		<b>1 516 345</b>	<b>1 327 502</b>	<b>1 925 508</b>

\*) Change in accounting policy - further details in note 10.3 to the condensed consolidated financial statements

## CONSOLIDATED CASH FLOW STATEMENT

	Note	01.01.2013 - 30.06.2013	01.01.2012 - 30.06.2012
		Unaudited	Unaudited
<b>Cash flows from operating activities</b>			
Gross profit from continued operations		3 874	19 713
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		(185 500)	(72 623)
Depreciation		11 531	13 521
FX differences		1 463	(1 105)
Net interest and dividends		11 645	8 523
Profit on investment activities		(8 486)	(29 753)
Change in receivables		(181 313)	92 687
Change in inventory		(29 139)	22 546
Change in liabilities, excluding loans and borrowings		14 057	(125 238)
Change in prepayments and accruals		(4 519)	(23 237)
Change in provisions		(1 709)	(16 386)
Change in construction contracts		3 621	(19 359)
Change in financial derivatives		39	111
Income tax paid		(3 482)	(2 900)
Other		(1 554)	9 979
Foreign exchange differences on translation of foreign operations		2 346	(2 012)
<b>Net cash flows from operating activities</b>		<b>(181 626)</b>	<b>(52 910)</b>
<b>Cash flows from investment activities</b>			
Sale (purchase) of intangible assets and tangible non-current assets		(2 579)	(828)
- acquisition		(5 064)	(4 281)
- sale		2 486	3 453
Cash connected with the loss of control over subsidiaries		-	(48 183)
Financial assets		2 235	(3 283)
- sold or repaid		17 550	910
- granted or acquired		(15 315)	(4 193)
Loans		2 000	-
- repaid		2 000	-
- granted		-	-
Interest received		592	587
<b>Net cash flows from investment activities</b>		<b>2 249</b>	<b>(51 707)</b>
<b>Cash flows from financial activities</b>			
Expenditure on redemption of bonds		(13 800)	-
Proceeds from borrowings and loans obtain		186 240	91 216
Repayment of borrowings and loans		(50 664)	(119 228)
Interest paid		(6 591)	(10 019)
Payment of liabilities under financial lease agreements		(3 873)	(6 942)
Other		(24)	(17)
<b>Net cash flows from financial activities</b>		<b>111 288</b>	<b>(44 990)</b>
<b>Total net cash flows</b>		<b>(68 089)</b>	<b>(149 607)</b>
Net FX differences		-	-
<b>Cash at start of period</b>		<b>121 193</b>	<b>222 562</b>
<b>Cash at end of period</b>	35	<b>53 104</b>	<b>72 955</b>
- with limited access		978	-

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium account	Revaluation reserve	Other reserve capitals	Hedging instruments	Results from previous years	Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
<b>As at 1.01.2013</b>	<b>23 211</b>	<b>18 545</b>	<b>(18 545)</b>	<b>231 813</b>	<b>2 396</b>	<b>-</b>	<b>242 529</b>	<b>5 334</b>	<b>(14 306)</b>	<b>490 977</b>		<b>1 792</b>	<b>492 769</b>
<i>Unaudited, Modified*</i>													
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting policy	-	-	-	-	-	-	-	-	-	1 542	1 542	-	1 542
<b>As at 1.01.2013 after adjustments</b>	<b>23 211</b>	<b>18 545</b>	<b>(18 545)</b>	<b>231 813</b>	<b>2 396</b>	<b>-</b>	<b>242 529</b>	<b>5 334</b>	<b>(12 764)</b>	<b>492 519</b>		<b>1 792</b>	<b>494 311</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	435	435	(58)	377
Other comprehensive income for the period	-	-	-	-	5 762	(662)	-	12 999	-	18 099	18 099	26	18 125
Profit distribution	-	-	-	-	-	-	(12 764)	-	12 764	-	-	-	-
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	-	-	-	96 198	-	96 198
Other changes	-	-	-	-	-	-	57	-	-	-	57	-	57
<b>As at 30.06.2013</b>	<b>41 120</b>	<b>-</b>	<b>-</b>	<b>310 102</b>	<b>8 158</b>	<b>(662)</b>	<b>229 822</b>	<b>18 333</b>	<b>435</b>	<b>607 308</b>		<b>1 760</b>	<b>609 068</b>
<b>As at 1.01.2012</b>	<b>23 211</b>	<b>-</b>	<b>-</b>	<b>231 591</b>	<b>2 343</b>	<b>-</b>	<b>199 775</b>	<b>16 588</b>	<b>52 334</b>	<b>525 842</b>		<b>18 600</b>	<b>544 442</b>
<i>Unaudited, Modified*</i>													
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting policy	-	-	-	-	-	-	-	-	-	4 497	4 497	-	4 497
<b>As at 1.01.2012 after adjustments</b>	<b>23 211</b>	<b>-</b>	<b>-</b>	<b>231 591</b>	<b>2 343</b>	<b>-</b>	<b>199 775</b>	<b>16 588</b>	<b>56 831</b>	<b>530 339</b>		<b>18 600</b>	<b>548 939</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	20 436	20 436	(867)	19 569
Other comprehensive income for the period	-	-	-	-	-	-	-	(2 268)	-	(2 268)	(2 268)	(191)	(2 459)
Profit distribution	-	-	-	-	-	-	56 831	-	(56 831)	-	-	-	-
Loss of control over the subsidiary	-	-	-	-	-	-	(13 551)	-	-	(13 551)	(13 551)	(15 549)	(29 100)
Other changes	-	-	-	222	-	-	-	-	-	222	222	-	222
<b>As at 30.06.2012</b>	<b>23 211</b>	<b>-</b>	<b>-</b>	<b>231 813</b>	<b>2 343</b>	<b>-</b>	<b>243 055</b>	<b>14 320</b>	<b>20 436</b>	<b>535 178</b>		<b>1 993</b>	<b>537 171</b>

Modified\*) Change in accounting policy - further details in note 10.3 to the condensed consolidated financial statements

## CONDENSED NOTES AND EXPLANATIONS

### 1. General information

This condensed consolidated financial statements of the Group cover the 6-month period ended on June 30, 2013 and comparable data for the 6-month period ended on June 30, 2012 and December 31, 2012.

Trakcja Capital Group (the "Group"; "GK Trakcja") consists of the Parent company Trakcja S.A. ("Trakcja", the "Parent company", the "Company"), its subsidiaries and a company under common control (see note 2).

Trakcja S.A. in its present form was established on November 30, 2004 as a result of acquisition of the holding company Trakcja Polska S.A. by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. (Railway Electrification Works Company, "PKRE S.A."). The Company's business name was then Trakcja Polska S.A. and was changed by Resolution no. 2 adopted by an Extraordinary Shareholder Meeting on November 22, 2007. The change was confirmed by the entry in the National Court Register made on December 10, 2007. The Company's previous business name was Trakcja Polska – PKRE S.A. The Parent company operates on the basis of the articles of association prepared in the form of a notary deed on January 26, 1995 (Rep. A No. 863/95), as amended. On September 1, 2009, the District Court for the capital city of Warsaw, 12th Economic Department of the National Court Register, has registered the merge of Trakcja Polska S.A. as a taking-over company with Przedsiębiorstwo Robót Komunikacyjnych-7 S.A. – as a company being taken-over. The merge of the companies has been settled and included on August 31, 2009 in the accountancy books of the company, to which the property of the merged companies passed to, i.e. Trakcja Polska S.A. by means of shares bonding method. The actual merge of the companies, according to IFRS 3 took place at the moment of taking the control, i.e. September 1, 2007.

On June 22, 2011, the Regional Court for the capital city of Warsaw in Warsaw, XIII Economic Division of the National Court Register, registered the change of the Company's business name from Trakcja Polska S.A. to Trakcja - Tiltra S.A. The above change was registered pursuant to Resolution no. 3 adopted by the Extraordinary Shareholder Meeting on June 15, 2011.

On December 21, 2012, the Regional Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register, registered the change of the Company's business name from Trakcja - Tiltra S.A. to Trakcja S.A. The above change was registered pursuant to Resolution no. 3 adopted by the Extraordinary Shareholder Meeting on December 12, 2012.

On January 29, 2002, the Company was entered in the National Court Register in the Regional Court in Warsaw at the XII Business Division under file number KRS 0000084266. The Trakcja Polska – PKRE S.A. S.A. was assigned the statistical number REGON 010952900, the taxpayer identification no. NIP 525-000-24-39 and code PKD 4212Z.

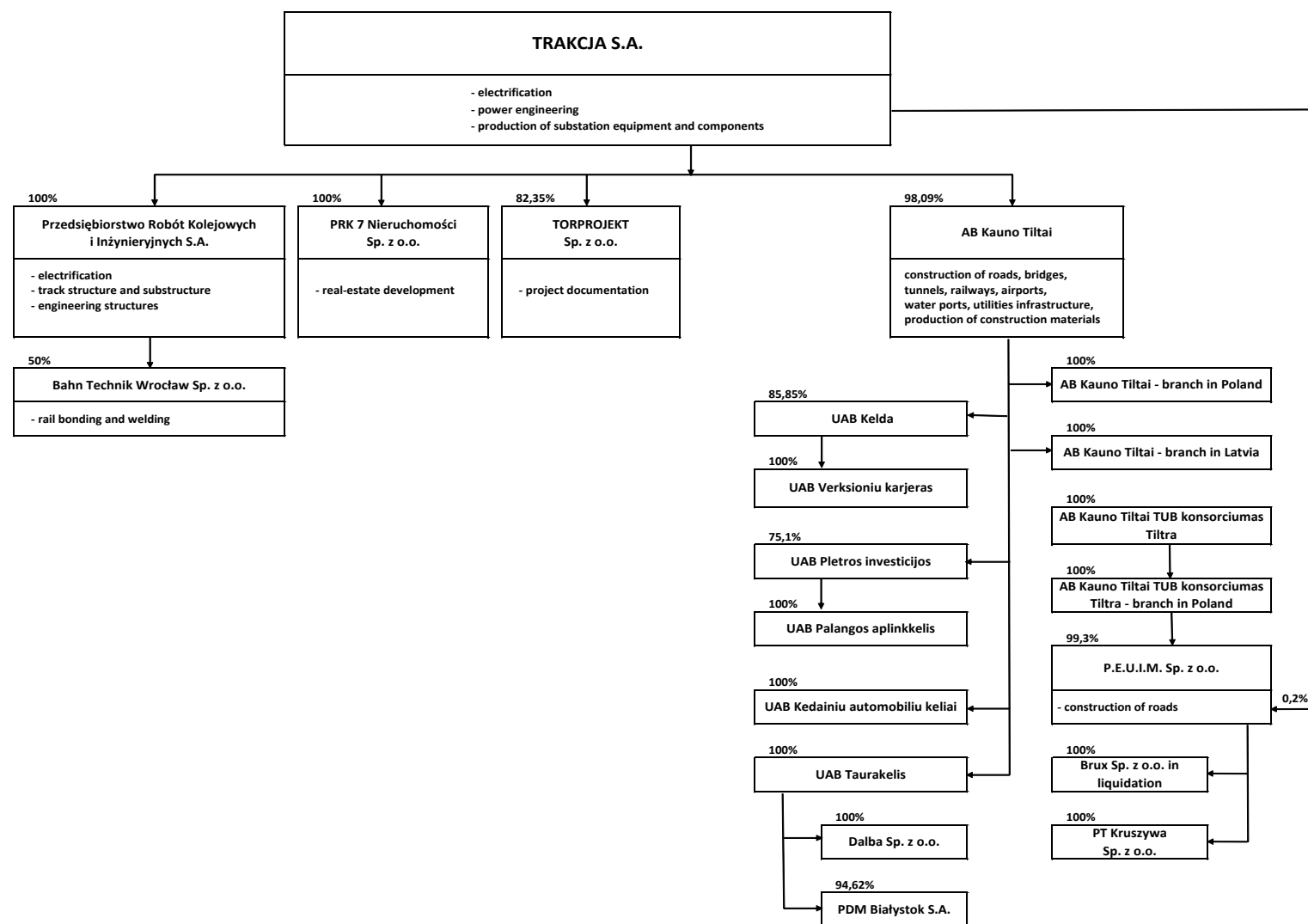
The Company's seat is located in Warsaw at 59 Złota Street, XVIII floor. The duration of the Parent company and the other entities comprising the Group is indefinite.

The Company's line of business as stated in its articles of association includes specialized construction and installation work for electrification of railway and tramway lines, i.e.:

- work on foundations and networks,
- installation of overhead contact substations and section cabins,
- installation of high and low voltage aerial and cable lines,
- installation of power supply and local control cables,
- production of high, medium and low voltage switching stations, overhead contact system accessories and local control devices,
- specialized equipment services (excavators, rail and car cranes, drill setters, piling rigs).

### 2. Composition of the Group and changes in the Group's structure in the period covered by the consolidated financial statements

The Group is composed of the Parent company Trakcja S.A. and the subsidiary entities:



\*) Trakcja SA has a total of 98.09% (96.84% directly and indirectly 1.25%) of the share capital of the subsidiary AB Kauno Tiltai. The indirect share is a result of the acquisition of shares by a subsidiary.

Trakcja S.A. is the Parent company and prepares consolidated financial statements of the Trakcja Capital Group.

Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. ("PRKiI"), seated in Wrocław, is a subsidiary and does not draw up consolidated financial statements.

Bahn Technik Wrocław Sp. z o.o. ("Bahn Technik"), seated in Wrocław, is a company under common control with the Parent Company and is consolidated at the level of the Trakcja Group.

PRK 7 Nieruchomości Sp. z o.o. ("PRK 7 Nieruchomości"), seated in Warsaw, is a subsidiary company.

Torprojekt Sp. z o.o. ("Torprojekt"), seated in Warsaw, is a subsidiary.

AB Kauno Tiltai, seated in Kaunas, is a subsidiary of the Parent Company Trakcja S.A. and, at the same time, the parent company in the AB Kauno Tiltai Capital Group.

The AB Kauno Tiltai Capital Group comprises the following entities:

- UAB Kelda – a subsidiary, seated in Vievis; the company's subsidiary is UAB Verkšionių karjeras;
- UAB Taurakelis – a subsidiary, UAB Taurakelis with its registered office in Tauragė is the parent company in the UAB Taurakelis Group and does not prepare consolidated financial statements, the group is subject to consolidation at the level of Trakcja Group. Moreover, the UAB Taurakelis Group also includes the following entities:
  - Dalba Sp. z o.o. – a subsidiary, seated in Białystok;
  - PDM Białystok S.A. – a subsidiary, seated in Białystok.
- UAB Kedainių Automobilių Keliai – a subsidiary, seated in Kėdainiai;
- AB Kauno Tiltai TUB Konsorciūmas Tiltra – a subsidiary, seated in Kaunas;
- UAB Pletros investicijos – a subsidiary, seated in Vilnius; the company's subsidiary is UAB Palangos aplinkkelis seated in Vilnius;
- P.E.U.I.M. Sp. z o.o. – a subsidiary, seated in Białystok, is the parent company in the P.E.U.I.M. Group and does not draw consolidated financial statements; that group is consolidated at the level of the Trakcja Group. Furthermore, the P.E.U.I.M. Group comprises the following entities:
  - Brux Sp. z o.o. in liquidation – a subsidiary, seated in Białystok;
  - PT Kruszywa Sp. z o.o. – a subsidiary, seated in Katowice;

The highest level parent company is the Spanish company COMSA S.A., which prepares consolidated financial statements including also the data of the Trakcja Capital Group.

### 3. Changes in Capital Group

In the period from January 1, 2013 to June 30, 2013 the Group made adjustments in the Group structure described below.

On February 25, 2013, the subsidiary AB Kauno Tiltai established a branch of his company in Latvia.

On April 5, 2013, the subsidiary UAB Pletros Investicijos set up a company UAB Palangos Aplinkkelis based in Vilnius, where it holds a 100% stake in its share capital.

After the balance sheet date and until the date of publication of this Report, no changes in the capital structure of the Trakcja Group took place.



#### **4. Composition of the Parent Company's Management Board**

The Company's Management Board on June 30, 2013 was composed of the following persons:

- |                        |   |                                |
|------------------------|---|--------------------------------|
| ▪ Roman Przybył        | - | President of the Board;        |
| ▪ Marita Szustak       | - | Vice – president of the Board; |
| ▪ Nerijus Eidukevičius | - | Vice – president of the Board; |
| ▪ Tadeusz Kałdonek     | - | Vice – president of the Board. |

Within the period from January 1 to June 30, 2013, the Management Board composition has changed. On the basis of Resolution No 2 of the Supervisory Board of June 12, 2013 Mr Rodrigo Pomar López, former Vice - President of the Management Board of the Company was cancelled from the Management Board.

No changes in the composition of the Management Board occurred after the balance sheet date.

#### **5. Composition of the Parent Company's Supervisory Board**

The Company's Supervisory Board on June 30, 2013 was composed of the following persons:

- |                              |   |                             |
|------------------------------|---|-----------------------------|
| ▪ Maciej Radziwiłł           | - | Supervisory Board Chairman; |
| ▪ Andrzej Bartos             | - | Supervisory Board member;   |
| ▪ Julijus Stalmokas          | - | Supervisory Board member;   |
| ▪ Wojciech Napiórkowski      | - | Supervisory Board member;   |
| ▪ Miquel Llevat Vallespinosa | - | Supervisory Board member;   |
| ▪ Jorge Miarnau Montserrat   | - | Supervisory Board member;   |
| ▪ Fernando Perea Samarra     | - | Supervisory Board member.   |

Within the period from January 1 to June 30, 2013, the Supervisory Board of the Parent company composition has changed. On the basis of the company statute on June 12, 2013 Mr Alvydas Banys, former Vice - President of the Supervisory Board was cancelled from the Supervisory Board. On the basis of the company statute on June 12, 2013 Mr Carles Sumarroca Claverol, former Vice - President of the Supervisory Board was cancelled from the Supervisory Board. On the basis of Resolution No. 26 of the Ordinary General Meeting of the Shareholders of the Company of June 12, 2013 Mr Andrzej Bartos as Member of the Supervisory Board of the Company was appointed.

No changes in the composition of the Supervisory Board occurred after the balance sheet date.

#### **6. Approval of the consolidated financial statements**

These consolidated financial statements were approved for publication by the Management Board on August 30, 2013.

#### **7. Basis for drawing up the consolidated financial statements**

The consolidated financial statements have been drawn up pursuant to the historical cost principle, except for derivative instruments, investment property and financial assets available for sale, which are carried at fair value. The balance sheet value of collaterals of assets and liabilities is adjusted by the changes to the fair value, which may be attributed to the risk against which the assets and liabilities are collateralized.

The condensed consolidated financial statements are presented in Polish zlotys ("PLN") and all the amounts, unless stated otherwise, are expressed in PLN thousand.

These consolidated financial statements have been prepared on the going concern basis. As at the date of approving these consolidated financial statements, there are no circumstances indicating a threat to the Company's continued operations.

## **8. Statement of compliance**

These condensed consolidated financial statements have been drawn up according to the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and applicable to interim reporting as approved by the European Union (IAS 34 "Interim Financial Reporting").

The condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements and they should be read jointly with the Group's consolidated financial statements for the year ended on December 31, 2012.

### **8.1. Measurement currency and currency of the financial statements**

Polish zloty (PLN) is the measurement currency for the Group and the presentation currency of the condensed consolidated financial statements.

## **9. Significant values based on professional judgment and estimates**

### **9.1. Professional judgment**

If a transaction is not covered by any standard or interpretation, the Management Board, guided by its subjective judgment, shall determine and apply an accounting policy to ensure that financial statements include relevant and reliable information and:

- present the Group's property and financial situation, financial result and cash flows in a clear and reliable manner,
- reflect the economic contents of the transaction,
- are objective,
- are prepared in accordance with the conservative valuation principle,
- are complete in all material aspects.

The subjective judgment made as at June 30, 2013 concerns contingent liabilities, the recoverability of receivables and claims against investors and the when evaluation of the use of fixed assets (tangible assets or investment property).

### **9.2. Uncertainty of estimates**

To prepare the condensed consolidated financial statements, the Parent Company's Management Board had to make some estimates because many information items included in the statements cannot be valued precisely. The Management Board verifies the assumed estimates based on changes of factors taken into consideration while making those estimates, new information or previous experience. Therefore the estimates made as at June 30, 2013 may be changed in the future.

#### *Valuation of reserves*

Employee benefit reserves were estimated on the basis of actuarial methods.

#### *Reserves for correction work*

Reserves for correction work have been estimated based on the knowledge of managers of individual construction projects (contracts) about the necessity or probable necessity to provide additional work for the principal in order to meet the terms of the warranty.

#### *Deferred income tax asset component*

The Group identifies a component of deferred tax assets based on the assumption that tax profit will be recorded in the future, which will allow the Group to use the component. Deterioration of tax results in the future may render this assumption unjustified.

#### *Fair value of financial instruments*

The fair value of financial instruments, for which no active markets exists, is measured by using adequate valuation techniques. The Group uses professional judgment when selecting such adequate methods and assumptions.

### Recognition of revenues

In order to preserve a relatively constant margin in all the reporting periods of the contract's term, the Group uses the "cost plus" method of determining revenues. Revenues on the performance of construction and installation services covered by an unfinished agreement are calculated as the costs actually incurred plus the margin assumed on the entire contract. The Group performs analysis on a regular basis and, where necessary, it revises the margins assumed for particular contracts. The level of revenues on sales in the case of contracts concluded in a foreign currency depends on changes in the FX rate.

### Depreciation rates

The level of depreciation rates is determined on the basis of expected economic life of components of tangible non-current assets and intangible assets. Every year, the Group revises the assumed periods of economic life, based on its current estimates.

## 10. Accounting principles and changes during the half year

These condensed consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards, which are applicable to annual periods beginning from January 1, 2013 as adopted by the European Union.

The presentation of the statements is based on IAS 34 "Interim Financial Reporting", with application of the same principles to the current and comparative periods and adjustment of the comparative period to the changes of accounting and presentation principles adopted in the statements for the current period.

The accounting principles (policy) applied to draw up these condensed consolidated financial statements for 1 half 2013 are consistent with those used to draw up the consolidated financial statements for the financial year ended December 31, 2012, except for the changes described below.

### 10.1. Selected accounting principles

A detailed description of the accounting principles adopted by the Group is presented in its consolidated financial statements for the financial year ended December 31, 2012, published on March 20, 2013.

#### Conversion of items denominated in foreign currency

Functional currency for entities running business in the territory of Poland is Polish zloty, for entities operating in Lithuania – Lithuanian litas.

Transactions denominated in foreign currencies are converted by the companies belonging to the Group into their functional currencies using the exchange rate binding on the transaction execution date.

As at the balance sheet date, cash assets and liabilities denominated in foreign currencies are converted using the appropriate average exchange rate for a given currency set by the National Bank of Poland and binding at the end of the reporting period. The FX gains and losses resulting from this conversion are appropriately recognized in the line item entitled financial income (costs).

Non-monetary assets and liabilities carried at historic cost expressed in a foreign currency are shown at the historic rate on the transaction date. Non-monetary assets and liabilities carried at fair value expressed in a foreign currency are converted at the exchange rate on the revaluation date.

The following exchange rates were adopted for the needs of the balance sheet valuation:

Exchange rate in force at the last day of the given period	30.06.2013
PLN/USD	3,3175
PLN/EUR	4,3292
PLN/LTL	1,2538
Average exchange rate calculated as arithmetic mean on exchange rates in force at the last day of each month in the given period	30.06.2013
PLN/LTL	1,2099

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

- relevant balance sheet line items at the average exchange rate set by the National Bank of Poland as at the balance sheet date, except for the item entitled equity, which is converted into the Polish currency at the historic rate from the date of acquiring control over the foreign entity;
- the relevant items of the profit and loss account and the statement of total income – at the FX rate being the arithmetic mean of the average monthly FX rates set by the National Bank of Poland for the period covered by the financial statements;
- the relevant items of the cash flow statement (investment and financial activity) – at the FX rate being the arithmetic mean of the average monthly FX rates set by the National Bank of Poland for the period covered by the financial statements. The FX gains and losses resulting from this conversion are recognized in the line item of the cash flow statement entitled “Other FX gains and losses resulting from conversion”.

The FX gains and losses resulting from such conversion are captured directly in equity as a separate component, i.e. FX gains and losses from converting foreign entities.

FX differences on cash line items of receivables and liabilities (granted and received long-term loans) in relation to foreign entities belonging to the Capital Group are recognized in other comprehensive income.

When a foreign entity is sold, the accumulated FX differences posted to equity, referring to the foreign entity, are transferred from equity to the profit and loss account (as adjustment resulting from reclassification) at the moment of recognizing profit or loss from selling the entity.

#### **Consolidation rules**

The condensed consolidated financial statements include the condensed financial statements of Trakcja S.A. and condensed financial statements of the subsidiaries prepared as at June 30, 2013.

Subsidiaries are consolidated in the period from the date the Group took control over them and they cease to be consolidated on the date the control ceases. If control over a subsidiary is lost, the consolidated financial statements will reflect the results for the part of the year covered by the statements in which the Group had such control.

Financial statements of subsidiaries are prepared for the same reporting period as the Parent Company's financial statements. Condensed consolidated financial statements are prepared using coherent accounting principles followed by the Group for transactions and economic events of a similar nature.

All of the Group's entities, with the exception of Bahn Technik Wrocław Sp. z o.o., Torprojekt Sp. z o.o., Dalba Sp. z o.o., PT Kruszywa Sp. z o.o., subsidiaries in the P.E.U.I.M. Group, keep their accounting ledgers in accordance with the International Accounting Standards. Bahn Technik Wrocław Sp. z o.o., Torprojekt Sp. z o.o., Dalba Sp. z o.o., PT Kruszywa Sp. z o.o., subsidiaries in the P.E.U.I.M. Group, keep their accounting ledgers in accordance with the Polish Accounting Standards (“PAS”) defined by the Accounting Act of 29 September 1994 (the “Act”), as amended, and regulations issued on the basis of this act. The financial statements are subsequently transformed and adjusted to the accounting principles in force in the Trakcja Group.

All of the balances and transactions between Group entities, including unrealized profits resulting from intra-Group transactions, have been eliminated in full. Unrealized losses are eliminated, unless they are a proof of impairment.

Non-controlling shares are that part of the financial result and net assets which does not belong to the Group. Non-controlling shares are presented as a separate line item in the consolidated profit and loss account, the consolidated statement of total income and equity of the consolidated balance sheet, separately from the equity assigned to shareholders of the parent company. In the case of purchasing non-controlling shares, the difference between the purchase price and the balance sheet value of the non-controlling shares is recognized in other capital reserves.

#### **10.2. Changes resulting from amendments to IFRS**

The following new or amended standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee have been applied for the first time in these financial statements:

- IFRS 13 *Fair Value Measurement*
- Amendments to IAS 19 *Employee Benefits*

- Amendments to IAS 1 *Presentation of Other Comprehensive Income*
- Amendments to IFRS 7 *Disclosures– Offsetting Financial Assets and Financial Liabilities*
- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to various standards, pursuant to the *Annual Improvements 2009-2011*
- Amendments to IFRS 1

The application of the above did not affect the results of the Group's business activity and financial situation and only resulted in changes to the applied accounting principles or expansion of the scope of essential disclosures or a change in applied terminology.

Main consequences of the application of new regulations:

- IFRS 13 *Fair Value Measurement*

The new standard was published on 12 May 2011 and supposedly was to facilitate the application of fair value measurement through limiting the complexity of solutions, and increase the consequence in the application of fair value measurement principles. The standard expressly defines the purpose of such measurement and specifies the definition of fair value.

The application of the new standard does not have significant influence on the Group's financial statements.

- Amendments to IAS 19 *Employee Benefits*

Amendments to IAS 19 were published on 16 June 2011 and apply to annual periods commencing on 1 January 2013 or later. The changes eliminate the possibility of a delay in the recognition of profits and losses, known as the "corridor approach". In addition, the amendment provides for an improvement in the presentation of changes in the balance sheet resulting from employee benefit plans as well as essential estimates presented in other comprehensive income; moreover, the scope of the required disclosures is expanded.

The application of the new standard does not have significant influence on the Group's financial statements.

- Amendments to IAS 1 *Presentation of Other Comprehensive Income*

Amendments to IAS 1 were published on 16 June 2011 and apply to annual periods commencing on 1 July 2012 or later. The changes concern grouping other comprehensive income items, which can be reclassified to the profit and loss statement. In addition, the changes confirm the possibility to present other comprehensive income and items of the profit and loss statement as one or two separate statements.

The application of the new standard does not have significant influence on the Group's financial statements.

- Amendments to IFRS 7 *Disclosures– Offsetting Financial Assets and Financial Liabilities*

Amendments to IFRS 7 were published on 16 December 2011 and apply to annual periods commencing on 1 January 2013 or later. Without amending the general rules of offsetting financial assets and financial liabilities, the scope of disclosures on offsetting such amounts was expanded. In addition, a requirement was introduced with regard to wider (more transparent) disclosures connected with credit risk management using collaterals (liens) received or granted.

The application of the new standard does not have significant influence on the Group's financial statements.

- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

The IFRIC Interpretation 20 was issued on 19 October 2011 and applies to annual periods commencing on 1 January 2013 or later. The Interpretation includes guidelines as to accounting for the cost of the removal of external layers of soil in order to gain access to extracted raw materials in surface mines.

The application of the new standard does not have influence on the Group's financial statements.

- Amendments to various standards, pursuant to the *Annual Improvements 2009-2011*

On 17 May 2012, further amendments were published to the seven standards, resulting from the proposed changes to the International Financial Reporting Standards published in June 2011. These mainly apply to annual periods commencing on 1 January 2013 or later (depending on the standard).

The Group applies amended standards in the scope of the changes as from 1 January 2013, unless a different effective date is foreseen.

The application of the new standard does not have significant influence on the Group's financial statements.

- Amendments to IFRS 1

Amendments to IFRS 1 were published on 13 March 2012 and apply to annual periods commencing on 1 January 2013 or later. The purpose of the changes is to allow the exclusion of all entities that apply IFRS for the first time from the requirement of retrospective application of all IFRSs if such entities are taking advantage of government loans with interest rates at a level below market rates.

The application of the new standard does not have influence on the Group's financial statements.

In addition, in these financial statements, the Group applied the following standards or amendments thereof for the first time, according to their effective dates set by the European Commission different from the dates set by the International Accounting Standards Board.

- Amendments to IFRS 1 *Sever Hyperinflation and Removal of Fixed Dates*

Amendments to IFRS 1 were published on 20 December 2010 and apply to annual periods commencing on 1 July 2011 or later. The changes concern a reference to the fixed date of "1 January 2004" as the date for application of IFRS for the first time, and amend it to "the date of first time IFRS adoption" to eliminate the need to transform transactions, which occurred before the date on which the entity shifted to IFRS. In addition, guidelines were added to the standard concerning IFRS re-application during periods occurring after severe hyperinflation periods, preventing full IFRS compliance.

The amended IFRS 1 does not influence the Group's financial statements.

- Amendment to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

The amendment to IAS 12 was published on 20 December 2010 and applies to annual periods commencing on 1 January 2012 or later. The change specifies, amongst others, the method of measuring assets and deferred income tax provision in case of investment property valued in accordance with the fair value measurement model as defined in IAS 40 *Investment Property*. The entry into force of the amended standards will also result in revocation of the SIC interpretation 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*.

The amended IAS 12 does not influence the Group's financial statements.

### 10.3. Changes introduced by the Group

#### Investments property

In the reporting period, the Group changed accounting policy regarding the investment properties' valuation method. In the Group's opinion, application of changed policy shall result in including in Group's financial statements more reliable and useful information concerning the influence of assets held on the Group's financial situation.

Starting from the financial year beginning on January 1, 2013, these principles are as follows:

The Group's investment properties comprise of investments in buildings and land held in order to generate revenues on rental or on their expected value gain. Initially, investment properties acquired in a separate purchase transaction are measured at its purchase price, with a consideration of transaction costs. In remaining cases, e.g.: acquisition of business unit, the investment properties are initially recognised at fair value.

After initial recognition all investment properties are measured at fair value.

Determining a fair value can involve:

- an appraisal conducted by an independent appraiser having recognition and relevant professional qualifications as well as experience in appraising properties of a location and characteristics similar to the property appraised;
- an analysis of data coming from an active market of current market prices of similar investment properties that are similarly situated and are in a comparable condition.

Assets are transferred to and from investment properties only when there is an evident change in the intended method of their use.

Investment properties' fair value change appearing within a year is reported in the profit and loss account. In case of transferring the Group's asset from fixed assets to investment properties, the difference between the fair value and the balance sheet value of such an asset is recognised in the revaluation reserve and any following changes – in the profit and loss account.

If the unit is able to reliably determine fair value of investment property under construction, which has previously been measured at costs, then, it measures this property at fair value in its financial statements. When the unit completes the construction of its own investment property that shall be recognised at fair value, the difference between the property's fair value as of that day and its previous balance sheet value shall be reported in the profit and loss account.

The Group owns, among others, lands and buildings situated in Warsaw, at Gołędzinowska Street, Skaryszewska Street that are maintained in order to gain profits on them in a form of increasing their value and earning revenues on rental.

#### **Change the appropriation of tangible non-current assets to investment property**

In the reporting period, the Group decided to change the appropriation of some lands and buildings constituting fixed assets in the balance sheet as of December 31, 2012. As of January 1, 2013, selected lands and buildings have been qualified as investment properties measured at fair value as of the day of changing their appropriation and the difference between fair value and carrying amount as of the date of reclassification was recognized in revaluation reserve. The revaluation adjustment of these lands and buildings as of the balance sheet day March 31, 2013 has been recognised in the year's result.

Total fair value of lands and buildings subject to requalification (as a result of appropriation change) amounted to:

As of 01.01.2013: PLN 7,867 thousand.

The difference between the fair value and the balance sheet value of the reclassified assets as at January 1, 2013 amounted PLN 7,113 thousand and has been recognised in the revaluation reserve in the net amount of PLN 5,762 thousand.

#### **The results of changing accounting policy**

Pursuant to the aforementioned accounting policy, starting from the financial year beginning on January 1, 2013, the Group measures its investment properties at fair value.

As a result of implemented accounting policy changes, the amount of PLN 3,478 thousand, which is the value of a surplus in fair value of an investment property stipulated as of the balance sheet day over its fair value as of January 1, 2013, has been recognised in other operating revenues, in current reporting period. The investment property component in Statement of financial position shows the revalued property according to the valuation provided for by the independent appraiser.

Pursuant to IFRS 8 requirements, comparable data were corrected as of December 31, 2012 and as of the beginning of a reporting period that is presented the earliest – i.e.: as of January 1, 2012. The correction introduced had an impact on the net profit (an increase in 2012 net profit by PLN 1,542 thousand and an increase in Groups equity by PLN 6,039 thousand).

	<b>Data published in the report for the 2012 year</b>	<b>Data modified due to changes in accounting policy for the 2012 year</b>
Retained earnings	(14 306)	(12 764)
Total equity	488 272	494 311

All investment property valuations as at March 31, 2013, as at January 1, 2013 (date of appropriation change of some land and buildings) and as at January 1, 2012 (date of the earliest presented period) were conducted by independent appraiser on the basis of market data.

#### **Costs' presentation change**

The Group changed the presentation of selected departments' costs from general administrative cost, where they had been previously presented, to cost of goods sold due to the fact that services of these departments are provided within basic activity (under construction contracts). In the Group's Management Board's opinion, such presentation shall reflect the Group's financial situation more appropriately. Pursuant to IFRS requirements, comparable data were changed.

	Data published in the report for the first half of 2012	Data modified due to changes in presentation for the first half of 2012
Cost of goods sold	(555 468)	(556 566)
General and administrative costs	(28 449)	(27 351)

### Change in factoring presentation

The Group changed the presentation of the factoring liability, presented in the 2011 financial statements in the form of interest-bearing credits and loans included in other financial liabilities. In the opinion of the Group's Management Board, such presentation will more properly reflect the Group's financial situation. Pursuant to the IAS requirements, the presentation of comparable data was changed.

	Data published in the report for the 2011 year	Data modified due to changes in presentation for the 2011 year
Interest-bearing bank loans and borrowings (long-term)	235 164	230 517
Other financial liabilities (short-term)	-	4 647

### Change in operational segments presentation

In connection with the reorganization in assets management, the Group introduced changes in monitoring the results generated in individual operational segments. In the opinion of the Group's Management Board, such presentation will more properly reflect the Group's financial situation. Detailed information was presented in note no. 12 to these financial statements.

## 11. New standards and interpretations

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

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but have not come into force as at the balance sheet date:

#### IFRS 9 *Financial Instruments*

The new standard was published on 12 November 2009 and constitutes IASB's first step towards replacing IAS 39 *Financial Instruments: Recognition and Measurement*. After publication, the new standard was subject to further works and was partially amended. The new standard will become effective on 1 January 2015.

The Group applies the new standard as from 1 January 2015.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of the new standard.

#### IFRS 10 *Consolidated Financial Statements*

The new standard was published on 12 May 2011 and is to replace SIC interpretation 12 *Consolidation – Special Purpose Entities*, and some of the provisions of IAS 27 *Consolidated and Separate Financial Statements*. The standard defines the concept of control as a factor determining whether the entity should be covered by consolidated financial statements and includes guides assisting in determining whether the entity exercises control or not.

The Group will apply the new standard as from 1 January 2014 i.e. as from the effective date set by the European Commission.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of the new standard.



#### IFRS 11 *Joint Arrangements*

The new standard was published on 12 May 2011 and is to replace SIC interpretation 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and IAS 31 *Interests in Joint Ventures*. The standard puts emphasis on rights and obligations resulting from joint arrangements, regardless of the legal form thereof, and eliminates reporting inconsistencies through defining the method for settlement of interests in jointly controlled entities.

The Group will apply the new standard as from 1 January 2014 i.e. as from the effective date set by the European Commission.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of the new standard.

#### IFRS 12 *Disclosures of Interests in Other Entities*

The new standard was published on 12 May 2011 and includes requirements concerning disclosures on interests in other entities or investments.

The Group will apply the new standard as from 1 January 2014, i.e. as from the effective date set by the European Commission.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of the new standard.

#### IAS 27 *Separate Financial Statements*

The new standard was published on 12 May 2011 and mainly results from transferring some provisions of the existing IAS 27 to the new IFRS 10 and IFRS 11. The standard includes requirements concerning the presentation and disclosures, in the separate financial statements, of investments in associates, subsidiaries, and joint ventures. The standard will replace the existing IAS 27 *Consolidated and Separate Financial Statements*.

The Group will apply the new standard as from 1 January 2014, i.e. as from the effective date set by the European Commission.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of the new standard.

#### IAS 28 *Investments in Associates and Joint Ventures*

The new standard was published on 12 May 2011 and concerns settlement of investments in associates. It also defines the requirements relating to the application of the equity method in investments in associates and in jointly controlled entities. The standard will replace the existing IAS 28 *Investments in Associates*.

The Group will apply the new standard as from 1 January 2014, i.e. as from the effective date set by the European Commission.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of the new standard.

#### Amendments to IAS 32 *Offsetting financial assets and financial liabilities*

Amendments to IAS 32 were published on 16 December 2011 and apply to annual periods commencing on 1 January 2014 or later. The changes constitute a reaction to the existing inconsistencies in the application of the offsetting criteria defined in IAS 32.

The Group will apply the amended IAS as from 1 January 2014.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of the new standard.

#### Transition Guidance (Amendments to IFRS 10, IFRS 11, and IFRS 12)

The Guidance was published on 28 June 2012 and includes additional information concerning the application of IFRS 10, IFRS 11, and IFRS 12, including the presentation of comparative data for first-time adopters of the aforementioned standards.

The Group will apply the amendments as from 1 January 2014.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of introduced changes.

#### Investment Entities (amendments to IFRS 10, IFRS 12, and IAS 27)

The Guidance was published on 31 October 2012 and includes different principles concerning the application of IFRS 10 and IFRS 12 in case of investment fund entities.

The Group will apply the amendments as from 1 January 2014.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of introduced changes.

*Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets*

Amendments were published on 29 May 2013 and apply to annual periods commencing on 1 January 2014 or later. The changes result in a modification of the scope of disclosures concerning the impairment of non-financial assets; amongst others, amendments require a disclosure of the recoverable amount of the asset (the centre generating inflows) only for the periods, during which an impairment was recognized, or its reversal in reference to the given asset (or centre). In addition, the amended standard indicates that a wider and more precise scope of disclosures will be required in case of determining the recoverable amount as being the fair value less costs of sale, and in case of determining the fair value less costs of sale and application of a technique of determining the current value (discounted flows) it will be necessary to provide information on the applied discounting rate (in case of recognizing the impairment or its reversal).

The amendments also adjust the scope of disclosures concerning the recoverable amount, regardless of whether it has already been determined as usable value or fair value less costs of sale.

The Group will apply the amendments as from 1 January 2014.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of introduced changes.

*Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting*

Amendments were published on 27 June 2013 and apply to annual periods commencing on 1 January 2014 or later. Amendments allow continuation of hedge accounting (on certain conditions) if the given derivative, being a hedging instrument, is renewed as a result of legal regulations, and the amendment results in a change of the clearing institution. Amendments to IAS 39 are an effect of legal changes in numerous countries, the effect of which was obligatory settlement of existing OTC derivatives and their renewal through a contract with the central clearing institution.

The Group will apply the amendments as from 1 January 2014.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of introduced changes.

*IFRIC Interpretation 21 Levies*

The new interpretation was published on 20 May 2013 and applies to annual periods commencing on 1 January 2014 or later. The interpretation includes guidance as to in what periods the liabilities should be recognized in regard to the payment of certain regulatory charges (levies).

The Group will apply the new interpretation as from 1 January 2014.

As at the date of these consolidated financial statements, the new interpretation is not foreseen to influence the Group's financial statements.

IFRS in the form approved by the EU are not substantially different from regulations adopted by the International Accounting Standards Board (IASB), save for the below standards, interpretations and amendments thereof, which as at the date of the approval of the publication of these financial statements have not yet been adopted by the EU:

- IFRS 9 *Financial Instruments*, published on 12 November 2009 (as further amended),
- Investment Entities (amendments to IFRS 10, IFRS 12, and IAS 27) published on 31 October 2012,
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*, published on 29 May 2013,
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*, published on 27 June 2013,
- IFRIC Interpretation 21 *Levies*, published on 20 May 2013.

## 12. Information on operational and geographic segments

In connection with the asset management reorganization, the Group introduced changes in the monitoring of the results generated in individual operational segments.

An operational segment constitutes a component of the entity:

- a) which engages in business activity, in connection with which it can obtain revenues and incur costs (including revenues and costs connected with transactions performed with other components of the same entity),
- b) the business results of which are regularly reviewed by the main authority responsible for undertaking operational decisions, and which takes advantage of these results during undertaking decisions about allocation of resources to the segment, and during the assessment of the results of the segment's activity, as well as
- c) for which there is separate financial information available.

Existing segments were as follows:

- Railway segment, which dealt with engineering works and construction-assembly works in the railway sector (Trakcja, PRKiI, Bahn Technik, Torprojekt)
- Road segment, which dealt with engineering works and construction-assembly works in the road sector (AB Kauno Tiltai Group)
- Others – residential segment, which dealt with the general development activity (PRK 7 Nieruchomości).

For management purposes, in 2013 the Group was divided into segments based on the types of produced goods and provided services. Due to the quite uniform nature of the activity performed by companies within the Group, the below segments correspond to the individual entities of the Group. In effect, the following operational segments were identified:

- Civil construction segment, which deals with engineering works and construction-assembly works in the railway sector (Trakcja, PRKiI, Bahn Technik, Torprojekt, P.E.U.I.M., Dalba, PT Kruszywa and PDM Białystok);
- Road segment, which deals with engineering works and construction-assembly works in the road sector (AB Kauno Tiltai Group save for Dalba and PDM Białystok);
- Others – residential segment, which deals with the general development activity (PRK 7 Nieruchomości).

The main change concerns the following companies: P.E.U.I.M, Dalba, PT Kruszywa and PDM Białystok, which were previously assigned to the road segment. After the change, they became assigned to the civil construction segment. The Group's Management Board decided to change the scope of activity of these companies and to take advantage of the potential of P.E.U.I.M, Dalby, PT Kruszywa and PDM Białystok upon the Group's performance of railway sector contracts. The resources of P.E.U.I.M, Dalba, PT Kruszywa and PDM Białystok will mainly be used for the performance of auxiliary bridge and road works connected with contracts for construction and repair of the railway traction.

In consequence, it was also decided to re-allocate a part of the goodwill in the amount of PLN 128.1 million (this amount can change slightly as a result of the final influence of the asset management reorganization) from the previous road segment to the civil construction segment. Re-allocation was performed in line with the provisions of the International Accounting Standard no. 36 (Impairment of Assets) section 87, pursuant to the relative value approach.

The Management Board separately monitors operational results of segments for the purpose of undertaking decisions on resources allocation, and assessment of the effects of this allocation and the results of activity. The assessment of the results of activity is based on gross profit or loss. Income tax is monitored at the Group level and, therefore, it is not subject to allocation to segments.

Transactional prices applied in transactions between operational segments are determined on market principles, similarly as in case of transactions with unrelated parties.

Reorganization of the reporting structure of the Trakcja Group aims at securing correct execution of the Group's goals in respective business segments, and concentration on the highest possible effectiveness of performed contracts by way of best use of possessed resources.

**Operational segments**

The below segments are presented according to the monitoring of the results of respective segments:

For the period from 01.01.2013 to 30.06.2013	Continued operations						
	Civil construction segment	Road segment	Other segments	Total	Discontinued operations	Exclusions	Total operations
Unaudited							
Revenues							
Sales to external customers	369 374	172 098	14 376	555 848	-	-	555 848
Sales between segments	58	20	-	78	-	(78)	-
Total segment revenues	369 432	172 118	14 376	555 926	-	(78)	555 848
Results							
Amortisation	6 954	4 509	68	11 531	-	-	11 531
Segment gross profit (loss)	2 108	5 006	2 092	9 207	-	(5 333)	3 874

As at 30 June 2013	Continued operations						
Unaudited	Civil construction segment	Road segment	Other segments	Total	Discontinued operations	Exclusions	Total operations
Operating assets	659 445	593 256	48 627	1 301 328	-	(249 253)	1 052 075
Operating liabilities	389 160	454 274	14 711	858 145	-	(101 000)	757 145
Other disclosures							
Capital expenditure	(1 684)	(3 411)	(4)	(5 099)	-	35	(5 064)

The below segments are presented according to the monitoring of the results of respective segments for the year 2012:

**For the period from 01.01.2012 to 30.06.2012**

Modified	Continued operations				Discontinued operations	Exclusions	Total operations
	Railway segment	Road segment	Other segments	Total			
<b>Revenues</b>							
Sales to external customers	367 183	182 560	33 017	582 760	-	-	582 760
Sales between segments	550	13	18	581	-	(581)	-
<b>Total segment revenues</b>	<b>367 733</b>	<b>182 573</b>	<b>33 035</b>	<b>583 341</b>	-	<b>(581)</b>	<b>582 760</b>
<b>Results</b>							
Amortisation	6 559	6 887	75	13 521	-	-	13 521
<b>Segment gross profit (loss)</b>	<b>(5 068)</b>	<b>(13 906)</b>	<b>8 025</b>	<b>(10 949)</b>	-	<b>30 662</b>	<b>19 713</b>

**As at 31 December 2012**

Modified	Continued operations				Discontinued operations	Exclusions	Total operations
	Railway segment	Road segment	Other segments	Total			
Operating assets	514 824	550 524	42 667	1 108 015	-	(233 494)	874 521
Operating liabilities	407 856	337 857	13 890	759 603	-	(80 789)	678 814
Other disclosures							
Capital expenditure	(18 977)	(3 952)	(16)	(22 945)	-	1 017	(21 928)

**Geographic segments**

Basic data for geographic segments have been presented below.

**For the period from 01.01.2013 to 30.06.2013**

Unaudited

**Revenues**

Sales to external customers

Sales between segments

Sales between the country and foreign countries

**Total segment revenues**

Continued operations					
At home	Abroad	Total	Discontinued operations	Exclusions	Total operations
391 950	163 898	555 848	-	-	555 848
57	20	77	-	(77)	-
1	-	1	-	(1)	-
<b>392 008</b>	<b>163 918</b>	<b>555 926</b>	<b>-</b>	<b>(78)</b>	<b>555 848</b>

**As at 30 June 2013**

Unaudited

Operating assets

Operating liabilities

Continued operations					
At home	Abroad	Total	Discontinued operations	Exclusions	Total operations
750 083	551 245	1 301 328	-	(249 253)	1 052 075
429 166	428 979	858 145	-	(101 000)	757 145

**For the period from 01.01.2012 to 30.06.2012**

Modified

**Revenues**

Sales to external customers

Sales between segments

Sales between the country and foreign countries

**Total segment revenues**

Continued operations					
At home	Abroad	Total	Discontinued operations	Exclusions	Total operations
412 302	170 458	582 760	-	-	582 760
548	-	548	-	(548)	-
20	13	33	-	(33)	-
<b>412 870</b>	<b>170 471</b>	<b>583 341</b>	<b>-</b>	<b>(581)</b>	<b>582 760</b>

**As at 31 December 2012**

Audited

Operating assets

Operating liabilities

Continued operations					
At home	Abroad	Total	Discontinued operations	Exclusions	Total operations
648 057	459 958	1 108 015	-	(233 494)	874 521
463 298	296 305	759 603	-	(80 789)	678 814

### 13. Revenues on sales

	<b>1.01.2013 - 30.06.2013</b>	<b>1.01.2012 - 30.06.2012</b>
	Unaudited	Unaudited Modified
<b>Sales revenues</b>		
Revenues from sale of construction services	531 527	527 623
Revenues from sale of goods and materials	1 196	13 647
Revenues from sale of other products and services	23 125	41 490
<b>Total</b>	<b>555 848</b>	<b>582 760</b>

### 14. Other operating income

	<b>1.01.2013 - 30.06.2013</b>	<b>1.01.2012 - 30.06.2012</b>
	Unaudited	Unaudited Modified
Released provisions, including:	31	87
- for retirement pay and disability benefits	-	87
- for litigation costs	9	-
- for correction work	22	-
Other, including:	11 209	1 598
- received penalties and fines	129	277
- reimbursed costs of litigious proceedings	233	16
- surplus inventory	-	184
- valuation of investment property	3 478	-
- redeemed liabilities	6 225	132
- profit on sale of non-financial non-current assets	659	247
- other	485	742
<b>Total</b>	<b>11 240</b>	<b>1 685</b>

During H1 2013, the Group updated the fair value of investment property and recognized the positive effect on the result in the amount of PLN 3 478 thousand. Detailed information was presented in notes no. 10.3 and 20 to these statements.

The value of revenue due to the redeemed liability amounting to PLN 6 225 thousand results from an agreement concluded with the contractor. The agreement was described in note no. 6 of this report.

### 15. Profit due to loss of control over subsidiaries

As at 30 June 2012, the Group lost control over subsidiaries included in the Lithold AB Group, i.e. Lithold AB, Silentio Investments Sp. z o.o. and the Poldim Group. The Group recognized the profit due to loss of control over the Lithold Group in the amount of PLN 44 291 thousand.

As at the date of loss of control, the cash held by the Lithold Group amounted to PLN 48 183 thousand.

## 16. Financial expenses

	<b>1.01.2013 - 30.06.2013</b>	<b>1.01.2012 - 30.06.2012</b>
	Unaudited	Unaudited Modified
Financial costs on account of interest, including:	7 441	9 734
- interest on loans and borrowings	4 056	3 213
- on liabilities	189	276
- on bonds	2 669	5 632
- other	527	613
Financial costs on account of FX differences	1 228	-
Financial costs on account of paid financial commissions	1 494	694
Financial costs on account of bank and insurance guarantees costs	84	191
Financial costs on account of creation of revaluation write-offs on interest receivables	-	120
Establishing provisions for financial liabilities	-	10 946
Loss on valuation of forward contracts	39	-
Costs related to the conversion of convertible bonds (non-cash)	702	-
Financial costs on account of revaluation write-offs on bonds	152	309
Financial costs of factoring services	143	-
Other financial costs	41	56
<b>Total</b>	<b>11 324</b>	<b>22 050</b>

Finance costs interest on bonds decreased by PLN 2,963 thousand compared to the same period last year due to debt restructuring carried out as a result of the decreased number of series A and B.

In the comparable period the Group incurred finance costs of PLN 10,946 thousand for the establishment of reserves for the financial liabilities. This reserve was created of the risk incurred by the subsidiary company costs associated with the granting of a bank guarantee.

## 17. Income tax

	<b>1.01.2013 - 30.06.2013</b>	<b>1.01.2012 - 30.06.2012</b>
	Unaudited	Unaudited Modified
<b>Current income tax:</b>	3 452	1 052
- current income tax charge	3 490	1 052
- adjustments related to current income tax from previous years	(38)	-
<b>Deferred tax:</b>	45	(1 196)
- related to origination and reversal of temporary differences	45	(1 196)
<b>Total</b>	<b>3 497</b>	<b>(144)</b>

A part of income tax was determined according to the rate of 19% for the corporate income tax base for legal persons operating in the territory of Poland. For foreign companies belonging to the AB Kauno Tiltai Capital Groups the tax rate is 15%.



	Consolidated Balance Sheet as at		Consolidated statement of total comprehensive income
	30.06.2013	31.12.2012	For the period ended 30.06.2013
	Unaudited	Modified	
Deferred tax asstes	28 452	26 551	1 901
Deferred tax liabilities	33 625	30 283	(3 342)
Change of deferred tax assets and liabilities			(1 441)
Including:			
- through profit or loss			(45)
- through equity			(1 262)
- variances due to currency translation			(134)

**18. Explanation of the differences between the data published in this semi-annual financial report and estimated consolidated financial results of the Trakcja Group and the estimated separate financial results of the Trakcja Company for H1 2013 (published in the current report 67/2013 of 1 August 2013)**

The financial results of the Trakcja Group and the financial results of the Trakcja Company, published on August 1, 2013 in the current report 67/2013 did not change, and simultaneously they constitute the final financial results for H1 2013.

**19. Revaluation profits charged to the revaluation reserve**

In the comprehensive income statement, the Group presented the value of the profit from revaluation of investment property, charged to the revaluation reserve. The gross value of revaluation recognized in the revaluation reserve amounts to PLN 7,114 thousand, and the value of deferred tax is PLN 1,352 thousand.

**20. Property, plant and equipment**

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
Fixed assets, including:	188 118	191 297	300 865
- land (including right of perpetual usufruct)	25 714	26 452	23 389
- buildings, premises, civil and water engineering structures	25 128	25 197	50 697
- technical equipment and machines	71 347	72 808	135 491
- vehicles	55 072	57 060	76 084
- other fixed assets	10 857	9 780	15 204
Fixed assets under construction	2 055	1 552	10 638
<b>Total</b>	<b>190 173</b>	<b>192 849</b>	<b>311 503</b>

The following table presents important changes in the area of property, plant and equipment which occurred in 1H 2013:

Financial year ended 30.06.2013	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
<b>Net book value at the beginning of the year</b>	<b>51 649</b>	<b>72 808</b>	<b>57 060</b>	<b>9 780</b>	<b>1 552</b>	<b>192 849</b>
Increases - purchase	58	2 285	2 175	1 842	443	6 803
Liquidation (-)	(364)	(418)	(716)	(5)	-	(1 503)
Amortisation (-)	(983)	(4 789)	(3 993)	(1 171)	-	(10 936)
Transfer to investment property	(754)	-	-	-	-	(754)
Variances due to currency traslation	801	1 461	546	411	19	3 238
Other	435	-	-	-	41	476
<b>Net book value at the end of the year</b>	<b>50 842</b>	<b>71 347</b>	<b>55 072</b>	<b>10 857</b>	<b>2 055</b>	<b>190 173</b>
<b>As at 30.06.2013</b>						
(Gross) cost or value from valuation	71 769	177 103	113 824	27 680	2 248	392 624
Depreciation and total hitherto imparment write-offs	(21 728)	(107 217)	(59 298)	(17 234)	(212)	(205 689)
Variances due to currency traslation	801	1 461	546	411	19	3 238
<b>Net book value</b>	<b>50 842</b>	<b>71 347</b>	<b>55 072</b>	<b>10 857</b>	<b>2 055</b>	<b>190 173</b>

## 21. Consolidation goodwill

As at 30 June 2013, in its consolidated financial statements the Group presents goodwill with the total value of PLN 435 818 thousand (31-12-2012: PLN 426 431 thousand), which is recognized in the following balance sheet items:

- consolidation goodwill – PLN 384 356 thousand (31/12/2012: PLN 374 969 thousand),
- intangible assets – PLN 51 462 thousand (31/12/2012: PLN 51 462 thousand).

Goodwill upon consolidation according to the companies:

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
<b>Carrying value of goodwill from consolidation by companies:</b>			
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	2 051	2 051	2 051
TORPROJEKT Sp. z o.o.	822	822	822
AB Kauno Tiltai	381 483	372 096	394 118
PDM w Brzesku Sp. z o.o.	-	-	300
<b>Total</b>	<b>384 356</b>	<b>374 969</b>	<b>397 291</b>

Goodwill presented in the balance sheet as at 30 June 2013 in the amount of PLN 2 051 thousand comprises goodwill, which fully refers to purchasing the company PRKiL S.A.; the amount of PLN 822 thousand comprises goodwill, which fully refers to purchasing the company Torprojekt Sp. z o.o.; whereas the amount of PLN 381 483 thousand comprises the goodwill, which fully refers to the acquired shares of AB Kauno Tiltai. The goodwill concerning AB Kauno Tiltai, presented in these statements, is different from the value presented in the 2012 consolidated financial statements due to the influence of foreign exchange differences connected with goodwill recalculation as at 30 June 2013.

### Goodwill impairment test

In connection with the planned reorganization in the Trakcja Group and the resulting change in the composition of the centres generating cash, to which the goodwill is assigned, the goodwill was reassigned to the changed centres.

The companies P.E.U.I.M, Dalba, PT Kruszywa and PDM Białystok, which were previously included in the cash-generating centre – the road segment, after the present change were transferred to another cash-generating centre – the civil construction segment. A decision on the change of the composition of cash-generating centres was a consequence of the Group's changes in asset management, obtaining financial data and results monitoring.

Goodwill created after purchasing the shares of PRKiL S.A. (PLN 2 million) and the shares of Torprojekt Sp. z o.o. (PLN 0.8 million) by Trakcja S.A., the part of the goodwill presented in intangible assets (PLN 46.7 million) generated as a result of the merger with PRK 7 S.A. and the goodwill assigned to P.E.U.I.M, Dalba, PT Kruszywa and PDM Białystok (PLN 128.1 million – this amount can change slightly as a result of the final influence of reorganization on asset management) were assigned to the cash-generating centre – civil construction segment. For the remaining goodwill created upon the purchase of the shares of AB Kauno Tiltai by Trakcja S.A. (PLN 253.4 million) it is adopted that the cash-generating centre is the road segment.

As at 30 June 2013, the Trakcja Group performed an analysis of the prerequisites concerning the possibility of goodwill impairment. The Management Board of Trakcja adopted in prudence that in connection with the planned Group reorganization and the changes in the foreseeable future concerning the management and manner of use of the Group's assets, there may be prerequisites evidencing a goodwill impairment; therefore, as at 30 June 2013 an impairment test was conducted in regard to the goodwill assigned to both cash-generating centres, which were subject to the change i.e. the civil construction segment and the road segment.

The recoverable value of the cash-generating centre is determined based on usable value calculations. These calculations also account for cash flow projections over a five-year period. Cash flows exceeding the five-year term were estimated at a fixed level. The growth rate does not exceed the average long-term growth rate for the construction sector, in which the cash-generating centres operate. Calculations adopt the EBITDA margin at the level of 2.5% to 3.1% for the civil construction segment, and 4.8% to 7.2 % for the road segment. The applied discounting rate (after grossing-up) amounted to 8.02% for the civil construction segment and 7.15% for the road segment. The Management Board set a budgeted margin based on historical results and its estimations concerning market development. Weighted average growth rates are in line with the forecasts presented in industry reports. The applied discounting rate is a rate before taxation, which reflects specified threats concerning respective sectors.

As a result of the conducted goodwill impairment test, a lack of impairment was stated in regard to the goodwill assigned to both aforementioned centres, which generate cash flow.

### **Goodwill in intangible assets**

The presented goodwill in intangible assets in the amount of PLN 51 462 thousand results from the merger with PRK 7 S.A. (PLN 46 682 thousand) and acquisition of the shares of PRK 7 Nieruchomości (PLN 4 780 thousand).

The goodwill with the value of PLN 4 780 thousand was assigned to the cash-generating centre – the remaining segment i.e. the residential segment (PRK 7 Nieruchomości). In H1 2013, the Group decided that there were no prerequisites concerning a possibility of goodwill impairment and, therefore, did not conduct an impairment test.

## **22. Investment property**

	<b>30.06.2013</b>	<b>31.12.2012</b>	<b>01.01.2012</b>
	Unaudited	Modified	Modified
<b>As at start of period (by type groups) - net value:</b>	<b>17 800</b>	<b>15 896</b>	<b>10 344</b>
- land	13 881	11 116	10 344
- buildings, premises, civil and water engineering structures	3 919	4 780	-
<b>Increases:</b>	<b>11 345</b>	<b>2 765</b>	<b>5 552</b>
- land	7 516	2 765	772
- revaluation	785	2 765	772
- movement of fixed assets	6 731	-	-
- buildings, premises, civil and water engineering structures	3 829	-	4 780
- revaluation	2 693	-	4 780
- movement of fixed assets	1 136	-	-
<b>Decreases</b>	<b>-</b>	<b>861</b>	<b>-</b>
- land	-	-	-
- buildings, premises, civil and water engineering structures	-	861	-
- revaluation	-	861	-
<b>As at end of period (by type groups) - net value:</b>	<b>29 145</b>	<b>17 800</b>	<b>15 896</b>
- land	21 397	13 881	11 116
- buildings, premises, civil and water engineering structures	7 748	3 919	4 780

## 23. Inventory

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
Materials	86 155	53 379	71 278
Semi-finished goods and products in progress	18 691	10 012	13 522
Finished goods	5 673	17 100	46 706
Merchandise	11 351	11 307	17 508
Inventory for resale	3 667	3 747	3 908
<b>Total, gross inventory</b>	<b>125 537</b>	<b>95 545</b>	<b>152 922</b>
<b>Inventory revaluation write-offs</b>	<b>(1 668)</b>	<b>(1 680)</b>	<b>(2 181)</b>
Materials	84 514	51 727	69 125
Semi-finished goods and products in progress	18 691	10 012	13 521
Finished goods	5 646	17 073	46 679
Merchandise	11 351	11 307	17 508
Inventory for resale	3 667	3 747	3 908
<b>Total, net inventory</b>	<b>123 869</b>	<b>93 866</b>	<b>150 741</b>

## 24. Trade receivables and other receivables

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
<b>Gross trade receivables, before discounting</b>	<b>376 797</b>	<b>189 156</b>	<b>503 629</b>
Discounting of receivables	-	-	(198)
<b>Total, gross trade receivables</b>	<b>376 797</b>	<b>189 156</b>	<b>503 431</b>
including:			
- receivables from related entities	-	-	1 444
Budgetary receivables	9 673	493	698
Receivables claimed in court	1 402	464	433
Other receivables from third parties	9 059	14 607	10 011
Amounts held	61 339	60 991	38 491
Paid pre-payments	2 248	1 453	7 666
<b>Total, gross trade and other receivables</b>	<b>460 518</b>	<b>267 164</b>	<b>560 730</b>
Receivables revaluation write-offs	(21 414)	(21 405)	(18 161)
<b>Total</b>	<b>439 104</b>	<b>245 759</b>	<b>542 569</b>

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
<b>Net trade receivables</b>			
With maturity within 12 months	399 455	205 801	505 317
With maturity over 12 months	19 217	23 932	19 517
Discounting of receivables	-	-	(198)
<b>Total, net trade receivables after discounting</b>	<b>418 672</b>	<b>229 733</b>	<b>524 636</b>

## 25. Cash and cash equivalent

	30.06.2013	31.12.2012	31.12.2012
	Unaudited	Modified	Modified
Cash in hand	101	295	311
Cash in bank	33 271	82 254	144 276
Other cash - deposits up to 3 months	20 395	38 644	77 975
<b>Total</b>	<b>53 767</b>	<b>121 193</b>	<b>222 562</b>

## 26. Construction contracts

	<b>30.06.2013</b>	<b>31.12.2012</b>	<b>01.01.2012</b>
	Unaudited	Modified	Modified
Revenues recognised in income statement in the period	531 527	1 266 089	1 763 424
Costs recognised in income statement in the period	497 944	1 232 954	1 697 060
<b>Gross profit / (loss)</b>	<b>33 583</b>	<b>33 135</b>	<b>66 364</b>
	<b>30.06.2013</b>	<b>31.12.2012</b>	<b>01.01.2012</b>
	Unaudited	Modified	Modified
Surplus of invoiced revenues over revenues resulting from degree of advancement	33 768	15 818	15 173
Surplus of revenues resulting from degree of advancement over invoiced revenues	75 152	53 276	88 219
Advances paid towards contracts being performed	68 115	81 849	20 549
Advances received towards contracts being performed	109 286	118 694	103 288
Provision for anticipated losses on contracts	1 014	1 711	29 754
Variances due to currency translation - current assets	3 180	(1 949)	1 446
Variances due to currency translation - short-term liabilities	4 736	(2 793)	3 236
<b>Recognised in balance sheet:</b>			
<i>in current assets</i>			
<b>Construction contracts</b>	<b>146 447</b>	<b>133 176</b>	<b>110 214</b>
<i>in short-term liabilities</i>			
<b>Construction contracts</b>	<b>148 804</b>	<b>133 430</b>	<b>151 451</b>

## 27. Equity

Basic capital:

	<b>30.06.2013</b>	<b>31.12.2012</b>	<b>01.01.2012</b>
	Unaudited	Modified	Modified
	Par value 0.1 PLN	Par value 0.1 PLN	Par value 0.1 PLN
Series A ordinary shares	1 599 480	1 599 480	1 599 480
Series C ordinary shares	83 180 870	83 180 870	83 180 870
Series D ordinary shares	19 516 280	19 516 280	19 516 280
Series E ordinary shares	25 808 850	25 808 850	25 808 850
Series F ordinary shares	30 000 000	30 000 000	30 000 000
Series G ordinary shares	72 000 000	72 000 000	72 000 000
Series H ordinary shares	179 090 904	-	-
<b>Total</b>	<b>411 196 384</b>	<b>232 105 480</b>	<b>232 105 480</b>

Based on the resolution no. 5 of the Extraordinary Shareholders Meeting of 12 December 2012, the share capital of Trakcja S.A. was increased by PLN 17 909 thousand. The increase of the capital was executed through issuance of 179 090 904 H series ordinary bearer shares with the nominal value of PLN 0.10 each. The increase of the share capital through issuance of H series shares took place upon the execution by holders of D series bonds of their right to acquire H series shares (holders of registered shares were entitled to exchange them to H series ordinary bearer shares). The right to acquire H series shares was exercised within the exchange term to 31 March 2013. After the exchange of bonds to shares, the amount of the Company's share capital is PLN 41 119 638.40 and it is divided into 411 196 384 shares entitled to the same amount of votes at the Company's general meeting.

In connection with the issuance of the H series bonds, a share premium occurred in the amount of PLN 78 289 thousand.

## 28. Non-controlling shares

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
<b>As at start of period</b>	<b>1 792</b>	<b>18 600</b>	<b>141</b>
<b>Increases, including:</b>	-	-	<b>62 529</b>
- acquisition of non-controlling shares	-	-	16 525
- acquisition of the result entitlement attributable to non-controlling shareholders	-	-	45 916
- consolidation adjustments	-	-	88
<b>Decreases, including:</b>	-	<b>16 808</b>	<b>46 536</b>
- loss of control over the subsidiary to the full consolidation method	32	15 549	-
- share of total income for the period	-	848	46 536
- purchase of own shares by subsidiary	0	411	-
<b>As at end of period</b>	<b>1 760</b>	<b>1 792</b>	<b>16 134</b>

## 29. Derivatives

### Cash flow hedging instruments

On 5 June 2013, subsidiary of Trakcja, i.e. UAB Palangos aplinkkelis concluded an interest rate swap (IRS) to secure future cash flows due to the planned interest rate payments on the term credit. Pursuant to the company's articles of association, the company is a payee of fixed interest rate amounts whereas the bank is the payee of variable interest rate amounts. The date of expiry of the hedged connection was set at 31 May 2028.

As at 30 June 2013, the effect of the measurement of the above derivative on long-term liabilities amounted to PLN 686 thousand and the effect on other comprehensive income was negative and amounted to PLN 662 thousand.

In H1 2013, the Group assessed the effectiveness of hedging the concluded IRS transaction. During the reporting period, hedging interest rate change was highly effective, therefore no ineffective part due to IRS measurement was identified or recognized in the profit and loss statement.

### Other derivatives

At the end of the reporting period and during the reporting period, the Group only concluded USD forward contracts and interest rate swaps (IRS). The Group did not conclude derivative contracts for speculative purposes. The Group did not apply hedge accounting during the reporting periods covered by the financial statements in regard to the aforementioned forward contracts and IRS, therefore these were measured at fair value through the profit and loss statement. In H1 2013, the measurement of financial instruments presented in the profit and loss statement amounted to PLN -39 thousand, whereas in H1 2012 the effect was zero.

### Fair value hierarchy

	30.06.2013 Unaudited	Level 1	Level 2	Level 3
<b>Financial liabilities</b>				
Financial derivatives	818	-	818	-
	31.12.2012 Modified	Level 1	Level 2	Level 3
<b>Financial liabilities</b>				
Financial derivatives	59	-	59	-

The fair value hierarchy is as follows:

**Level 1** – prices of market quotations from active markets for identical assets and liabilities;

**Level 2** – prices from active markets, but other than prices of market quotations – determined directly (through a comparison with actual transactions) or indirectly (through measurement techniques based on actual transactions);

**Level 3** – prices not deriving from active markets.

During the reporting period and comparable period, the Group did not note any transfers between level 1 and level 2 of the fair value hierarchy, nor was any of the instruments transferred from level 2 to level 3 of the fair value hierarchy. The IRS contract concluded in 2013 was classified to level 2 of the fair value hierarchy.

### 30. Provisions

	<u>Provisions</u>
<b>As at 1.01.2013</b>	<b>13 556</b>
Modified	
Recognized	1 889
Variances due to currency translation	227
Used	(5 819)
Reversed	(203)
<b>As at 30.06.2013</b>	<b>9 650</b>
Unaudited	
Ageing structure of provisions:	
- long-term	3 392
- short-term	6 258

### 31. Interest-bearing bank credits and loans

The credits and loans drawn by the Parent Company and its subsidiaries are presented in the table below:

Company name	Lender	Type of loan \ credit	Amount according to agreement in a particular currency (in k)	Currency of the agreement	Final repayment date	Main rules for calculating interest	Outstanding amount (in K PLN)
Trakcja S.A.	Alior Bank S.A.	overdraft	60 000	PLN	2014-03-31	WIBOR O/N + margin	60 273
Trakcja S.A.	Alior Bank S.A.	overdraft	15 000	PLN	2014-03-31	WIBOR 1M + margin	15 070
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Bank Zachodni WBK S.A.	investment	18 000	PLN	2017-03-31	WIBOR 1M + margin	13 724
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Bank Zachodni WBK S.A.	investment	7 200	PLN	2015-09-30	WIBOR 1M + margin	3 069
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Bank Zachodni WBK S.A.	overdraft	20 000	PLN	2014-09-30	WIBOR 1M + margin	11 712
Przedsiębiorstwo Robót Kolejowych	Bank Zachodni WBK S.A.	overdraft	23 000	PLN	2014-06-30	WIBOR 1M + margin	13 724
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Alior Bank S.A.	working-capital	20 000	PLN	2014-03-31	WIBOR O/N + margin	20 088
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	BRE Bank S.A.	overdraft	10 000	PLN	2014-02-05	WIBOR O/N + margin	4 111
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	BRE Bank S.A.	overdraft	12 000	PLN	2014-07-31	WIBOR 1M + margin	9 840
PRK 7 Nieruchomości Sp. z o.o.	BOŚ Bank S.A.	investment	16 995	PLN	2014-08-31	WIBOR 1M + margin	4 405
AB Kauno Tiltai	Nordea Dnb	working-capital	6 669	EUR	2015-04-01	EURIBOR 3M + margin	12 600
AB Kauno Tiltai	Nordea Dnb	working-capital	2 285	EUR	2015-04-01	EURIBOR 3M + margin	6 128
AB Kauno Tiltai	Nordea Dnb	working-capital	18 000	EUR	2014-01-31	EURIBOR 3M + margin	68 079
AB Kauno Tiltai	Nordea Dnb	working-capital	5 685	EUR	2016-04-01	EURIBOR 3M + margin	17 206
Bahn Technik Wrocław Sp. z o.o.	L.Weiss International	loan from other entities	191	EUR	2014-07-31	flat rate	738
Bahn Technik Wrocław Sp. z o.o.	Bank Zachodni WBK S.A.	overdraft	320	EUR	2014-05-29	flat rate	394
<b>Total</b>							<b>261 161</b>

Interest rate of received credits depends on WIBOR / EURIBOR and bank margins. The bank margins depends on a particular bank and settled credit repayment.



Interest bearing long term bank credits and loans:

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
Bank loans	42 992	87 734	114 466
Financial lease liabilities	9 696	10 177	19 750
<b>Total</b>	<b>52 688</b>	<b>97 911</b>	<b>134 216</b>

Interest bearing short term bank credits and loans:

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
Bank loans	218 169	31 024	209 646
Loans from other entities	-	1 065	1 405
Financial lease liabilities	5 174	6 284	19 466
<b>Total</b>	<b>223 343</b>	<b>38 373</b>	<b>230 517</b>

## 32. Bonds

General information referring to the bonds:

Bond series	Issue date	Bond redemption date	Bond nominal value (in PLN)	Series nominal value (in PLN)
A	19.04.2011	12.12.2013	1 000	240 000
C	31.01.2013	31.12.2015	1 000	29 529 000
E	31.01.2013	31.12.2015	1 000	20 921 000

On 16 November 2012, the Management Board of Trakcja informed that it decided to undertake activities to change the structure, prolong the maturity date, and decrease the Company's debt, aiming at adjustment of the debt's maturity to the currently performed construction contracts, strengthen the Company's capital structure and ensure availability of bank financing at an appropriate level.

On 31 January 2013, the Company issued: 29 529 secured C series bearer bonds with the total nominal value of PLN 29 529 thousand, 197 D series exchangeable bonds with the total nominal value of PLN 98 500 thousand, and 20 921 unsecured E series bearer bonds with the total nominal value of PLN 20 921 thousand. Holders of D series bonds were granted the right to exchange bonds to ordinary H series bearer shares with the nominal value of PLN 0.10 each, issued by the Company within the scope of a conditional increase of the share capital pursuant to the resolution no. 5 of the Extraordinary Shareholders Meeting of 12 December 2012.

On 31 January 2013, the Company purchased, for redemption purposes: 142 778 unsecured A series bearer shares with the nominal value of 1 000 each and the total nominal value of PLN 142 778 thousand, and 13 000 unsecured B series bearer shares with the nominal value of PLN 1 000 each and the total nominal value of PLN 13 000 thousand, issued by the Company on 19 April 2011 (on 8 February 2013, the management board of the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) undertook a resolution in connection with the redemption of A and B series bonds by the Company). The payment for purchased A series bonds and B series bonds took place through cash payment and offsetting claims due to some bondholders in regard to the Company, and due to the Company in regard to these bondholders.

Moreover, on 1 March 2013 the Company purchased, for redemption purposes, 5 346 unsecured A series bearer bonds with the nominal value of PLN 1 000 each and the total nominal value of PLN 5 346 thousand; as at 30 June 2013, the Company still holds 240 A series bonds with the nominal value of PLN 240 thousand with the repurchase date of 12 December 2013.

The Company received the following bond exchange demands from holders of D series bonds exchangeable to H series Company shares:

Date of submission of the demand by bondholders	Number of D series exchangeable bonds	Number of received H series shares	Date of marketing authorization for H series shares	Number of the resolution of the GPW Management Board concerning marketing the shares	Date of exchange of bonds to shares in line with the KDPW resolution	Number of the KDPW resolution concerning exchange of bonds to shares
February 4, 2013	131	119 090 904	February 26, 2013	228/2013	February 28, 2013	126/13
February 19, 2013	66	60 000 000	March 15, 2013	286/2013	March 19, 2013	181/13

After exchanging all D series bonds to shares, the amount of the Company's share capital is PLN 41 119 638.40 and is divided into 411 196 384 shares, which entitle to the same number of votes at the Company's general meeting.

Due to the exchange of the D series bonds issued by the Company and the increase of the Company's share capital, the Company's shareholding structure has changed, of which the Company informed in its current reports. The state of the shareholders who hold directly, or through subsidiaries, at least 5% of the general number of votes at the General Shareholders Meeting as at the date of submission of the financial statements was presented in note 3.1 to the management report of the Trakcja Group for the 6 months ended on 30 June 2013.

Bond ageing structure:

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
Long term	49 808	12 913	160 040
Short term	240	147 761	5 695
<b>Total</b>	<b>50 048</b>	<b>160 674</b>	<b>165 735</b>

Interest is paid at interest dates falling on June 30 and December 31 of each year from the day of issue to the maturity date of bonds of A, C, and E and at maturity date of bonds A, C, and E.

Liabilities by virtue of the bond issuance on June 30, 2013 amounted to PLN 50,048 thousand.

The Group presented the value of bonds A with maturity date on December 12, 2013 in the short-term bond part.

### 33. Trade liabilities and other liabilities

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
<b>Trade liabilities, before discounting</b>	<b>293 498</b>	<b>267 188</b>	<b>475 269</b>
Discounting of liabilities	-	-	-
<b>Total, net trade liabilities after discounting</b>	<b>293 498</b>	<b>267 188</b>	<b>475 269</b>
including:			
- liabilities from related entities	-	1 262	42
 Amounts held	 <b>39 125</b>	 <b>40 615</b>	 <b>27 966</b>
Budgetary liabilities	12 982	19 625	44 377
Payroll liabilities	5 630	3 909	6 413
Other liabilities towards third parties	812	1 984	16 698
Dividends and other distributions	42	40	43
<b>Total trade and other liabilities</b>	<b>352 089</b>	<b>333 361</b>	<b>570 766</b>

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
<b>Trade liabilities, before discounting</b>	<b>332 623</b>	<b>307 803</b>	<b>503 192</b>
With maturity within 12 months	318 996	285 165	487 654
With maturity over 12 months	13 627	22 638	15 538
<b>Total, trade liabilities after discounting</b>	<b>332 623</b>	<b>307 803</b>	<b>503 192</b>

### 34. Other financial liabilities

In the item entitled "Other financial liabilities" the Group presented a factoring liability in the amount of PLN 9 630 thousand. The Group concluded a factoring contract with a regress on 10 May 2013. The limit of financing provided in the contract amounts to PLN 70 000 thousand. Factoring interest is calculated based on the variable WIBOR O/N rate increased by the factor's fixed rate.

### 35. Additional information to the profit and loss statement

	30.06.2013	31.12.2012	31.12.2012
	Unaudited	Modified	Modified
Cash in hand	101	295	311
Cash in bank	33 271	82 254	144 276
Other cash - deposits up to 3 months	20 395	38 644	77 975
<b>Total</b>	<b>53 767</b>	<b>121 193</b>	<b>222 562</b>
Cash and cash equivalents excluded from the cash flow statement	(1 941)	-	-
<b>Cash and cash equivalents for the purposes of the cash flow statement</b>	<b>51 826</b>	<b>121 193</b>	<b>222 562</b>
- Including cash restricted cash	978	-	-

Cash excluded from the cash flow statement as at 30 June 2013 concern blocked cash for repayment of the liability in the amount of PLN 1 278 thousand and blocked accounts for development projects in the amount of PLN 663 thousand; restricted cash includes cash assigned for repayment of interest on bonds.

### 36. Change of the write downs of assets

	Tangible asstes	Intangible assets	Inventory	Receivables	Total
<b>As at 1.01.2013</b>	-	-	<b>1 680</b>	<b>21 405</b>	<b>23 085</b>
Modified					
Recognized	-	-	10	468	478
Variances due to currency translation	-	-	26	179	205
Used	-	-	(30)	(191)	(221)
Reversed	-	-	(18)	(447)	(465)
<b>As at 30.06.2013</b>	-	-	<b>1 668</b>	<b>21 414</b>	<b>23 082</b>
Unaudited					

### 37. Purchases and sales of property, plant and equipment and other intangible assets

In the period from January 1 to June 30, 2013, the Group acquired tangible non-current assets and intangible assets in the total amount of PLN 5,064 thousand (for the comparable period: 4,281 thousand).

In the period from January 1 to June 30, 2013, the Group sold its tangible non-current assets and intangible assets in the total book value of PLN 1,504 thousand (for the comparable period: 3,223 thousand).

### 38. Contingent items and other off-balance sheet items

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
<b>Contingent receivables</b>			
<b>From related entities due to:</b>	<b>261 531</b>	<b>262 862</b>	<b>285 659</b>
Received guarantees and sureties	261 531	261 531	284 328
Bills of exchange received as collateral	-	1 331	1 331
<b>From other entities due to:</b>	<b>159 853</b>	<b>125 052</b>	<b>248 550</b>
Received guarantees and sureties	146 158	111 804	232 456
Bills of exchange received as collateral	13 695	13 248	16 094
<b>Total contingent receivables</b>	<b>421 384</b>	<b>387 914</b>	<b>534 209</b>
<b>Contingent liabilities</b>			
<b>From related entities due to:</b>	<b>261 531</b>	<b>262 862</b>	<b>285 659</b>
Provided guarantees and sureties	261 531	261 531	284 328
Promissory notes	-	1 331	1 331
<b>From other entities due to:</b>	<b>4 279 489</b>	<b>3 445 789</b>	<b>1 529 795</b>
Provided guarantees and sureties	585 145	542 542	778 088
Promissory notes	516 310	554 184	438 602
Mortgages	318 553	304 624	188 127
Assignment of receivables	2 625 450	1 810 490	239
Assignment of rights under insurance policy	72 694	74 643	68 233
Security deposits	51 282	49 132	3 769
Other liabilities	110 055	110 174	<b>52 737</b>
<b>Total contingent liabilities</b>	<b>4 541 020</b>	<b>3 708 651</b>	<b>1 815 454</b>

Information on credit or loan guarantees granted by the Issuer or its subsidiary is presented in the following table.

Name of company granting credit or loan guarantee	Name of entity to whom the guarantees are granted	Total amount of credits which is covered by guarantees in whole or in part (in thousand PLN)	Period for which the guarantee was granted	Nature of relationships between Trakcja S.A. and the entity taking out credit or loan
Trakcja S.A.	PRKiI S.A.	40 000	31-03-2015	Parent company
Trakcja S.A.	PRKiI S.A.	27 000	31-03-2020	Parent company
Trakcja S.A.	PRKiI S.A.	12 000	31-03-2016	Parent company
PRKiI S.A.	Trakcja S.A.	120 000	31-03-2015	subsidiary
PRKiI S.A.	Trakcja S.A.	30 000	31-03-2015	subsidiary

Due to employment contracts executed with the employees and Members of the Management Board, as for June 30, 2013 the Group had contingent receivables in the amount of PLN 1,748 thousand and contingent liabilities in the amount of PLN 8,853 thousand. Furthermore, in case of breach of duties of a Manager as stipulated in the agreement on non-competition, the Manager will pay the Company, without any undue delay or termination notice or demand by the Company, liquidated damages as a counter value of EUR 25,000 in PLN for each case of breach, and counter value of EUR 1,000 in PLN for each day of breach.

Tax settlements and other fields of business activities governed by regulations (e.g. customs and currencies), may be subject of administrative bodies control, which are entitled to impose high penalties and sanctions. Lack of reference to fixed legal regulations in Poland and Lithuania causes the occurrence of ambiguities and inconsistencies in the mandatory provisions of the law. Frequent differences in opinions as to legal interpretation of tax regulations both inside the national bodies and between the national bodies and companies, create the fields of conflicts and uncertainty. These phenomena cause that tax risk in Poland is significantly higher than usually present in countries with a more developed tax system. Tax settlements may be the subject to control for the period of five years, starting at the end of a year, in which the tax was paid. As a result of the performed controls, the current tax settlements of the Group may be increased by additional tax obligations. In the Group's opinion, as for June 30, 2013 proper reserves were created for the recognized and measureable tax risk.

### 39. Events occurring after the end of the reporting period

Between the balance sheet date and the date of preparing these condensed consolidated financial statements, i.e. August 31, 2013 the following material events took place:

#### *Contracts on construction services:*

- On 25 July 2013, the Company, operating as the leader of the consortium "Konsorcjum Trakcja Polska" concluded with PKP Polskie Linie Kolejowe S.A. seated in Warsaw an annex to the agreement concluded on 31 May 2010 by the consortium with the contracting authority for construction works in regard to complex modernization of the station and the routes within the area of LCS Działdowo (local steering centre), within the scope of the POIiŚ 7.1-41 project entitled: "Modernization of the E 65/C-E 65 railway line at the section Warsaw – Gdynia – LCS Działdowo area". Pursuant to the annex, material conditions of the agreement changed in such manner, so that the date of completion of the works was agreed as 40 months from the date of commencement of the works pursuant to the conditions of the agreement, and the date of preparation and submission of the as-built documentation and conducting the acceptance procedure was set at 41 months from the date of commencement of the works pursuant to the conditions of the agreement.
- On 30 July 2013, a material contract was concluded between PKP Polskie Linie Kolejowe S.A. and the Company's subsidiary i.e. Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. for works connected with the reconstruction of the Strzałki station, executed within the task entitled "Modernization of the railway line no. 4 Main Railway Trunk Line". The total net value of the contract is PLN 59 760 708.61.

#### *Other important events:*

- On 4 July 2013, the Company's Management Board obtained information that on 10 May 2013 a material contract was concluded between AB SEB Bank seated in Vilnius, Lithuania, and the Company's subsidiary i.e. UAB Palangos aplinkkelis seated in Vilnius, Lithuania, the subject of which is granting a credit by the bank for the borrower in the amount equivalent to PLN 35 204 450.00 with a repayment date set at 31 May 2028.
- On 25 July 2013, the Company's Supervisory Board undertook resolutions concerning reorganization within the Company's group. More details concerning this reorganization are presented in note no. 40.
- On 31 July 2013, the Company received a notification from Pioneer Pekao Investment Management S.A. ("PPIM") about the reduction of the total interest to 11.00 % of the total number of votes at the Company's General Meeting in the scope of financial instruments included in the composition of portfolios managed within the scope of PPIM's provision of services in the area of managing the portfolio of financial instruments, as a result of the sale of shares conducted on 24 July 2013.
- On 1 August 2013, pursuant to a resolution, the Management Board made a decision on an earlier submission of estimate financial data for H1 2013 in connection with the need to disclose to the banks, with which the Company and Group companies have agreements concluded for bank products, and to the Company's bondholders, the Group's estimate consolidated financial results and estimate separate financial results of the company Trakcja S.A. for H1 2013, to accelerate obtaining relevant consents to conduct the restructuring.
- On 8 August 2013, the Company received a decision of the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Division of the National Court Register, dated 18 July 2013, concerning, amongst others, registration of the change of the Issuer's status and removal of the nominal value of the conditional increase of the share capital.
- On 9 August 2013, the Company received a notification from Pioneer Pekao Investment Management S.A. about the reduction of the total interest to 8.52 % of the total number of votes at the Company's General Meeting in the scope of financial instruments included in portfolios managed within the scope of PPIM's provision of services in the area of managing the portfolio of financial instruments, as a result of the sale of shares conducted on 2 August 2013.

#### 40. Information concerning the Trakcja Group reorganization plans

The Company's Management Board informed in the current report no. 63/2013 of 25 July 2013 about the planned reorganization within the Trakcja Group, which will comprise, amongst others, merging selected Trakcja Group companies.

Within the reorganization plan, the Management Board decided to undertake the following steps:

- increase of the share capital of the company Przedsiębiorstwo Drogowo - Mostowe „Białystok” S.A. (“PDM”) seated in Białystok through issuance of 53 000 new B series registered shares with the nominal value of PLN 1 each, addressed fully for the Company's subsidiary - Uždaroji Akcine Bendrove Taurakelis (“TAU”) within the scope of a private offer, save for subscription rights of existing shareholders;
- conclusion of a contract on sale of shares by the and TAU, pursuant to which the Company will acquire all registered shares in the PDM share capital, which TAU will hold upon the conclusion of the contract on sale of shares, for a price not higher than PLN 6 752 thousand;
- conclusion of a contract on sale of shares by the Company and TAU, pursuant to which the Company will acquire all registered shares in the share capital of the company Przedsiębiorstwo Produkcyjno - Usługowe “Dalba” Sp. z o.o. seated in Białystok (“DAL”) held by TAU, for a price not higher than PLN 7 786 thousand;
- conclusion of a contract on sale of shares by the Company and AB Kauno Tiltai TUB Konsorciumas Tiltra (“TUB”), pursuant to which the Company will acquire all registered shares in the share capital of the company Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. seated in Białystok (“P.E.U.I.M.”) held by TUB, for a price not higher than PLN 10 205 thousand;

It was determined that the total minimum price for purchasing PDM shares as well as P.E.U.I.M. and DAL shares will not be lower than PLN 21 000 thousand;

- settlements between the Company's subsidiaries, i.e. between AB Kauno Tiltai (“KAT”), TUB, and TAU, aiming at repayment of the loan liability within the Group by way of transfers of claims due to the loan, or the price for the shares in DAL, P.E.U.I.M. and PDM;
- merger of the Company with the following companies: Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. seated in Wrocław (“PRKiI”), as well as PDM, P.E.U.I.M. and DAL; (PRKiI, PDM, P.E.U.I.M. and DAL hereinafter collectively: “Overtaken Companies”);
- conclusion by the Company and KAT a contract on sale of fixed assets covering, amongst others, real properties which will be owned by the Company after the merger of the Company with Overtaken Companies.

The decision on the merger and reorganization was undertaken to simplify the organizational structure, to improve managing the Trakcja Group and eliminate a significant part of needless processes simultaneously decreasing costs of activity. The companies merger will also bring financial savings in the administrative and organizational area, also as a result of a reduction of the number of management and supervisory authorities within the Trakcja Group. In the long-term, the goal of the merger is to improve the coordination of operational activities, unification of business processes, and increase of the transparency of the Trakcja Group's structure.

The merger of the Company and Overtaken Companies will occur through a transfer of the entire property of Overtaken Companies to the Company (overtaking company), i.e. through a merger by overtaking within the meaning of Article 492(1)(1) of the Commercial Companies Code (“KSH”).

The merger plan with attachments will be published in the form of a current report immediately after its signing by Management Boards of the Company and Overtaken Companies.

#### 41. Cyclicity, seasonality of activity

Group sales generate the lowest figures in the first quarter of a year on account of unfavorable weather conditions and on account of a smaller quantity of tenders being finalized in the previous period and a smaller number of favorable contracts being resolved.

#### **42. Concise description of significant achievements or failures during the I half 2013**

There were no other significant achievements and failures than those described in these condensed consolidated financial statements.

#### **43. Information material for the assessment of the personnel assets, financial standing and the financial results of the Group and their changes and for the assessments of the Parent's ability to fulfill its obligations**

Apart from the information contained in the following condensed consolidated financial statements there is no other material information of the assessment of the personnel, assets, financial standing and the financial results of the Group and their changes or for the assessments of the Group's ability to fulfill its obligations.

#### **44. Information on issues, redemption and repayment of debt and capital securities**

Pursuant to resolution no. 5 of the Extraordinary General Meeting of shareholders of December 12, 2012, the share capital of Trakcja S.A. was contingently increased by an amount not exceeding PLN 18,545,436. The increase in the share capital will be achieved by issuing not more than 185,454,360 ordinary bearer shares of series H of the nominal value of PLN 0.10 each. Increasing the share capital through issuing series H shares will take place at the moment when the holders of bonds have exercised their right to take up series H shares (holders of registered bonds will be entitled to exchange them for ordinary bearer shares of series H). The right to take up series H shares will be exercised within the timeframe for the exchange, until March 31, 2013. On December 21, 2012, the District Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register (KRS) registered the change in the contingent increase of the share capital. Detailed information were included in current report no. 71/2012 of December 13, 2012.

Due to the conversion of all the remaining bonds, KDPW decided to closed on March 19, 2013 the deposit accounts kept for series D bonds marked with code PLTRKPL00071. As a result of the exchange of bonds for shares, the share capital of the Company now amounts to PLN 41,119,638.40 and is divided into 411,196,384 shares which entitle their holders to exercise the same number of votes at a general meeting of the Company. The bonds were converted into a total of 179 090 904 shares.

#### **45. Information on dividends paid or declared**

In 1H 2013, no dividend payment was made by Trakcja S.A.

#### **46. Material litigation and disputes**

In the reporting period, the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authorities, whose value, individual or in total, exceeded 10 percent of the equity of Trakcja S.A., except for the following issues:

Case of shareholder vs. Trakcja S.A.:

In the current report no. 1/2013 of 3 January 2013, the Company's Management Board notified about becoming informed about submission to the registry office of the Regional Court in Warsaw, on 19 December 2012, of a lawsuit by a shareholder of Trakcja S.A. – a natural person – against the Company, concerning determination of invalidity of resolutions undertaken on 12 December 2012 at the Extraordinary Shareholders Meeting i.e.: (i) resolution no. 4 on the issuance of bonds exchangeable to H series shares, and (ii) resolution no. 5 on the conditional increase of the share capital, depriving existing shareholders of the subscription rights, and amendment of the Company's Statute (Resolution) based on Article 425 of the Commercial Companies Code, or revocation of the Resolutions based on Article 422 of the Commercial Companies Code. The Company submitted a reply to the suit delivered on 15 February 2013 concerning the above. In the Company's opinion, the charges raised in the suit are not justified. Moreover, the Company Trakcja S.A. submitted a response to the plaintiff's reply delivered on 8 August 2013. The date of the sitting of the Court in the discussed case was set at 4 February 2014.

#### *Conclusion of an agreement between PNI and PRKiI*

In regard to the report no. 34/2013 of 28 March 2013 on imposing a contractual penalty, the company Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. seated in Wrocław ("PRKiI"), on 22 April 2013 concluded an agreement with the company Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. under arrangement bankruptcy seated in Warsaw (hereinafter: "PNI"), pursuant to which the parties terminated the executive agreement concluded between PRKiI (as the Partner) and PNI (as the Leader) on 25 October 2011 in connection with the conclusion by the consortium, consisting of: PNI, PKP Energetyka Spółka Akcyjna seated in Warsaw, PRKiI, and Dolnośląskie Przedsiębiorstwo Napraw Infrastruktury Komunikacyjnej Spółka z o.o. seated in Wrocław, with PKP Polskie Linie Kolejowe S.A. seated in Warsaw at ul. Targowa 74 ("Contracting Authority"), of the Contract No. 90/116/0006/11/Z/I for Basic line construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of the Dolnośląskie Voivodeship within the scope of the project POIŚ 7.1. – 4 "Modernization of the E 59 railway line at the section Wrocław – Poznań, Stage II – section Wrocław – border of the Dolnośląskie Voivodeship", as notified by the Company in the current report no. 34/2011 of 25 May 2011.

Pursuant to the aforementioned agreement, the parties declared and confirmed that they have no mutual claims on the account of contractual penalties and interest thereon, and if such claims would arise before the date of the aforementioned agreement the parties waive the same, unless otherwise expressly provided in the agreement.

The parties declared that contractual penalties accrued to date are deemed non-existent save for notified PRKiI claims within the scope of the PNI bankruptcy proceedings, whereas PNI questions the existence of these contractual penalties. Waiver of claims, including contractual penalties, does not concern any PRKiI claims, which occurred before the date of announcing the bankruptcy of PNI and included in the composition by legal force, and indicated in the PRKiI claims notification.

#### *Conclusion of an agreement between PNI and Trakcja*

On 22 April 2013, an Agreement was concluded between PNI Sp. z o.o. and Trakcja S.A. concerning cooperation pursuant to the Contract entitled Performance of construction works within modernization of the railway line no 9 at the section from 236,920 km to 287,700 km, included in the Central Steering Area seated in Malbork, within the scope of the Project POIŚ 7.1-1.3 "Modernization of the E65/C-E 65 Railway Line at the section Warsaw-Gdynia, area LCS Iława and LCS Malbork".

Pursuant to the aforementioned agreement, the Parties offset their mutual claims, and as a result thereof Trakcja S.A. undertook to pay to PNI Sp. z o.o. the amount of PLN 12,063,910.94 gross. The payment was made within the deadline.

Pursuant to section 1 (2), the payment by Trakcja S.A. of the aforementioned amount within the above deadline and execution of liabilities described in section 2 of this agreement (releasing PNI from penalties/damages occurring in connection with non-performance/improper performance of the Contract, up to the amount of PLN 1 million, overtaking the rights due to the warranty and quality guarantee and good performance, releasing PNI from incurring the costs during the extended Contract term) exhausts all claims of PNI due to the execution of the Consortium Contract and joint execution of the Order by the Parties. In addition PNI waived execution of further claims towards Trakcja on the condition of the payment of the aforementioned amount.

The conclusion of the Agreement results in the expiry of existing and future liabilities between the Parties, which occur or may occur due to, or in connection with, the Executive Agreement or the Consortium Agreement, and joint performance of the Order. The parties hereby additionally waive any claims covered by this settlement, to which they are entitled on the basis on, or in connection with, the conclusion, performance, or termination of the Executive Agreement, the Consortium Agreement, and joint execution of the Order, as well as any claims that may occur in the future due to the above.

Moreover, PNI stated the liability accrued towards Trakcja in the amount of PLN 60 million as non-existent, pursuant to the accounting note no. 0018/1C/670132/01/03/2013 of 29 March 2013.

#### *Information about submission of a request for mediation between Trakcja S.A. and PKP PLK S.A.*

On 20 June 2013, the Consortium of Contractors, which are jointly performing, for KP PLK S.A., the contract of 31 May 2010 no. 90/120/084/00/11000838/10/I/I for the execution of construction works within the complex modernization of the station and the routes within the LCS Działdowo area within the Project POIŚ 7.1.-41 "Modernization of the E-65/C-E 65 railway line at the section Warsaw – Gdynia – LCS Działdowo area", pursuant to Article 184 in connection with Article 185(1) of the Civil Procedure Code, summoned PKP PLK S.A. to conclude a settlement in connection with the payment to the Consortium of PLN 95,297,116.95 as a contractual penalty due in connection with the Contracting Authority's failure to meet the contractual date for delivering the construction site –



pursuant to item (b) of Section 2.1 of the Contract Terms in connection with "Attachment No. 2 to ToR – Attachment to the Bid" (constituting an integral part thereof in line with § 1(5) of the agreement), along with statutory interest, as notified by the company in the current report 61/2013 of 21 June 2013. In addition, on 21 June 2013 Trakcja issued a debit note no. 51/2013 for PKP PLK S.A. for PLN 95,297,116.95 as a contractual penalty as indicated above. The Management Board of Trakcja decided not to recognise the above event in the Company's books due to applying prudent approach, because it is not possible to estimate the probability of recovery of the receivables and the level of reimbursement from PKP in this respect.

**47. Information on related entities**

Transactions within the Group were concluded on market terms and conditions. These transactions have been excluded from the condensed consolidated financial statements.

The total amounts of the transactions concluded with related entities in the period covered by the condensed consolidated financial statements and in the comparative period are presented below.

Related entities	Financial year	Sales to related entities	Purchases from related entities	Interest revenue	Interest costs
<b>Shareholders of Parent company:</b>					
COMSA S.A.	1.01.13-30.06.13	-	-	-	-
	1.01.12-30.06.12	10	511	-	-
<b>Total</b>	<b>1.01.13-30.06.13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>1.01.12-30.06.12</b>	<b>10</b>	<b>511</b>	<b>-</b>	<b>-</b>

Information on the receivables from and liabilities to related entities as at the balance sheet date and the end of the comparative period is presented below.

Related entities	Balance sheet date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
<b>Shareholders of Parent company:</b>					
COMSA S.A.	30.06.13	-	-	-	-
	31.12.12	-	1 262	-	-
<b>Total</b>	<b>30.06.13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>31.12.12</b>	<b>-</b>	<b>1 262</b>	<b>-</b>	<b>-</b>

Warsaw, 30 August 2013

*The Management Board:*

Roman Przybył  
President of the Board

Marita Szustak  
Vice – president of the Board

Nerijus Eidukevičius  
Vice – president of the Board

Tadeusz Kałdonek  
Vice – president of the Board

*Person responsible for preparing the financial statement:*

Sławomir Krysiński  
Head of Financial Reporting Trakcja Group



## **TRAKCJA S.A.**

CONDENSED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2013  
PREPARED IN COMPLIANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

## APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The Management Board of Trakcja S.A. has approved the condensed financial statements of Trakcja S.A. for the period from January 1, 2013 to June 30, 2013.

The condensed financial statements for the period from January 1, 2013 to June 30, 2013 have been drawn up according to the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and applicable to interim reporting as approved by the European Union (IAS 34 "Interim Financial Reporting").

In these condensed financial statements, information is presented in the following order:

1. Profit and loss account for the period from January 1, 2013 to June 30, 2013, showing a net profit of PLN **1,895** thousand.
2. Statement of comprehensive income for the period from January 1, 2013 to June 30, 2013, showing total comprehensive income of PLN **8,936** thousand.
3. Balance sheet drawn up as at June 30, 2013, showing assets and liabilities of PLN **781,807** thousand.
4. Cash flow account for the period from January 1, 2013 to June 30, 2013, showing a decrease in the balance of net cash by the amount of PLN **23,491** thousand.
5. Statement of changes in equity for the period from January 1, 2013 to June 30, 2013, showing an increase in equity of PLN **103,873** thousand.
6. Condensed notes and explanations.

The condensed financial statements have been prepared in thousands of Polish zloty, except for the line items explicitly indicating otherwise.

Some of the financial and operating data included in these condensed financial statements have been rounded. For this reason, in some of the tables presented in the statements, the sum of amounts in a column or row may differ slightly from the total amount stated for that column or row.

Roman Przybył

President of the Board

Marita Szustak

Vice – president of the Board

Nerijus Eidukevičius

Vice – president of the Board

Tadeusz Kałdonek

Vice – president of the Board

Warsaw, August 30, 2013

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## PROFIT AND LOSS ACCOUNT

	Note	1.01.2013 - 30.06.2013	1.01.2012 - 30.06.2012
		Unaudited	Modified*, Unaudited
<b>Continued activity</b>			
Revenues on sales	4	163 720	211 987
Own expenses of sales		(159 454)	(216 775)
Gross sales profit (loss)		4 266	(4 788)
Costs of sales, marketing and distribution		(437)	(677)
Overhead costs		(10 454)	(11 758)
Other operating income	5	15 129	406
Other operating costs		(1 459)	(2 106)
Operating profit (loss)		7 045	(18 923)
Financial income	6	2 823	14 855
Financial expenses	3	(6 064)	(8 115)
Gross profit (loss)		3 804	(12 183)
Income tax	3	(1 909)	2 286
Net profit (loss) on continued activity		1 895	(9 897)
<b>Discontinued activity</b>			
Net profit (loss) on discontinued activity for the period		-	-
Net profit (loss) of the period		1 895	(9 897)

\*) Change in the presentation of costs - detailed information in Note 2 to the condensed financial statements

## STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	1.01.2013- 30.06.2013	1.01.2012 - 30.06.2012
		Unaudited	Modified*, Unaudited
Net profit for the period		1 895	(9 897)
Other comprehensive income:		-	-
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		7 041	-
Profit on revaluation recognized as revaluation reserve	8, 11	7 041	-
Total other comprehensive income		7 041	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8 936	(9 897)

\*) Change in the presentation of costs - detailed information in Note 2 to the condensed financial statements



## BALANCE SHEET

ASSETS	Note	30.06.2013	31.12.2012	01.01.2012
		Unaudited	Modified*	Modified*
<b>Non-current assets</b>		<b>580 766</b>	<b>568 247</b>	<b>557 447</b>
Property, plant and equipment	9	27 615	33 055	36 786
Investment property	11	25 699	11 122	9 218
Intangible assets		56 229	56 207	55 027
Investments in subordinated entities	10	436 012	436 932	439 583
Financial assets		22 438	19 339	69
Deferred income tax assets		11 593	10 108	14 244
Long-term prepayments and accruals		1 181	1 484	2 520
<b>Current assets</b>		<b>201 041</b>	<b>170 947</b>	<b>403 663</b>
Inventory	13	31 142	19 147	15 772
Trade receivables and other receivables	14	103 739	74 929	246 566
Financial assets		4 145	2 098	4 223
Cash and cash equivalent		15 368	37 581	89 999
Prepayments and accruals		2 564	2 450	2 441
Construction contracts	12	44 083	34 742	44 662
<b>TOTAL ASSETS</b>		<b>781 807</b>	<b>739 194</b>	<b>961 110</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Equity</b>	3, 15	<b>501 190</b>	<b>397 317</b>	<b>430 609</b>
Share capital		41 120	23 211	23 211
Basic conditional capital		-	18 545	-
Due payments for basic capital (negative value)		-	(18 545)	-
Share premium	3, 15	310 102	231 813	231 596
Revaluation reserve		15 284	9 504	11 705
Other reserve capital		132 789	164 097	106 666
Retained financial result		1 895	(31 308)	57 431
<b>Long-term liabilities</b>		<b>83 839</b>	<b>43 414</b>	<b>188 049</b>
Interest-bearing bank credits and loans	16	3 478	4 396	3 737
Reserves	20	820	1 052	759
Employee benefit liabilities		7 208	7 276	7 335
Deferred income tax reserve		22 526	17 777	16 178
Bonds	18	49 808	12 913	160 040
<b>Short-term liabilities</b>		<b>196 778</b>	<b>298 463</b>	<b>342 452</b>
Trade liabilities and other liabilities	19	95 548	116 209	203 939
Interest-bearing bank credits and loans	16	86 782	19 131	83 332
Other financial liabilities	17	9 630	-	-
Reserves	20	779	2 179	1 273
Employee benefit liabilities		3 435	3 069	3 496
Bonds	18	240	147 761	5 695
Accruals and deferred income		69	-	-
Construction contracts	12	295	10 114	44 717

\*) Change in accounting policy - further details in note 2 to the condensed financial statements

## CASH FLOW STATEMENT

	Note	1.01.2013 - 30.06.2013	1.01.2012 - 30.06.2012
		Unaudited	Unaudited
<b>Cash flow on operating activity</b>			
Net profit (loss) on continued activity		3 804	(12 183)
Net profit (loss) on discontinued activity			
Adjustments by the items:		(72 371)	13 672
Depreciation		1 452	3 000
FX differences		94	178
Net interest and dividends		3 229	(5 823)
Profit / loss on investing activity		(8 507)	(36)
Change in the balance of receivables		(22 124)	121 770
Change in the balance of inventory		(11 995)	(1 886)
Change in the balance of liabilities		(12 222)	(94 277)
Change in the balance of prepayments, deferred income, accruals and advance payments		258	(203)
Change in the balance of provisions		(1 633)	316
Change in the balance of construction contracts		(19 160)	(9 550)
Other adjustments		(1 763)	183
<b>Net cash flow on operating activity</b>		<b>(68 567)</b>	<b>1 489</b>
<b>Cash flow on investing activity</b>			
Sale (purchase) of intangible assets and tangible non-current assets		266	(1 025)
- purchase		(250)	(1 053)
- sale		516	28
Loans		1 200	(7 716)
- repaid		3 300	200
- granted		(2 100)	(7 916)
Financial assets		(5 921)	12 897
- sold or returned		29	-
- dividends received	3	-	13 213
- purchased		(5 950)	(316)
Interest gained		123	16
<b>Net cash flow on investing activity</b>		<b>(4 333)</b>	<b>4 172</b>
<b>Cash flow on financial activity</b>			
Net proceeds on issuing bonds		(13 800)	-
Proceeds on drawing credits and loans		67 500	6 000
Repayment of credits and loans	3	-	(75 834)
Interest paid		(3 241)	(7 666)
Liability payments for financial lease agreements		(1 051)	(1 167)
<b>Net cash flow on financing activity</b>		<b>49 409</b>	<b>(78 667)</b>
<b>Total net cash flow</b>		<b>(23 491)</b>	<b>(73 006)</b>
Net FX differences		-	-
<b>Cash at the beginning of the period</b>		<b>37 581</b>	<b>89 999</b>
<b>Cash at the end of the period</b>	22	<b>14 090</b>	<b>16 993</b>
- with limited access	22	978	-

**STATEMENT OF CHANGES IN EQUITY**

Unaudited	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium	Revaluation reserve	Other reserve capital	Retained financial result	Total equity
<b>As at 1 January 2013</b>	<b>23 211</b>	<b>18 545</b>	<b>(18 545)</b>	<b>231 813</b>	<b>9 504</b>	<b>164 097</b>	<b>(32 850)</b>	<b>395 775</b>
Corrections of mistakes	-	-	-	-	-	-	-	-
Changes to accounting principles	-	-	-	-	-	-	1 542	1 542
<b>As at 1 January 2013 after corrections</b>	<b>23 211</b>	<b>18 545</b>	<b>(18 545)</b>	<b>231 813</b>	<b>9 504</b>	<b>164 097</b>	<b>(31 308)</b>	<b>397 317</b>
Net profit for the period	-	-	-	-	-	-	1 895	1 895
Other comprehensive income for the period	-	-	-	-	7 041	-	-	7 041
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	96 198
Distribution of profit	-	-	-	-	-	(31 308)	31 308	-
Other	-	-	-	-	(1 261)	-	-	(1 261)
<b>As at 30 June 2013</b>	<b>41 120</b>	<b>-</b>	<b>-</b>	<b>310 102</b>	<b>15 284</b>	<b>132 789</b>	<b>1 895</b>	<b>501 190</b>
Modified*, Unaudited								
<b>As at 1 January 2012</b>	<b>23 211</b>	<b>-</b>	<b>-</b>	<b>231 596</b>	<b>11 705</b>	<b>106 666</b>	<b>52 934</b>	<b>426 112</b>
Corrections of mistakes	-	-	-	-	-	-	-	-
Changes to accounting principles	-	-	-	-	-	-	4 497	4 497
<b>As at 1 January 2012 after corrections</b>	<b>23 211</b>	<b>-</b>	<b>-</b>	<b>231 596</b>	<b>11 705</b>	<b>106 666</b>	<b>57 431</b>	<b>430 609</b>
Net profit for the period	-	-	-	-	-	-	(9 897)	(9 897)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Distribution of profit	-	-	-	-	-	57 431	(57 431)	-
Other	-	-	-	217	(1 915)	-	-	(1 698)
<b>As at 30 June 2012</b>	<b>23 211</b>	<b>-</b>	<b>-</b>	<b>231 813</b>	<b>9 790</b>	<b>164 097</b>	<b>(9 897)</b>	<b>419 014</b>

\*) Change in accounting policy - further details in note 1 to the condensed financial statements

## CONDENSED NOTES AND EXPLANATIONS

### 1. General information

Trakcja S.A. in its present form was established on November 30, 2004 as a result of acquisition of the holding company Trakcja Polska S.A. by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. (Railway Electrification Works Company, "PKRE S.A."). The Company's business name was then Trakcja Polska S.A. and was changed by Resolution no. 2 adopted by an Extraordinary Shareholder Meeting on November 22, 2007. The change was confirmed by the entry in the National Court Register made on December 10, 2007. The Company's previous business name was Trakcja Polska – PKRE S.A. The Parent company operates on the basis of the articles of association prepared in the form of a notary deed on January 26, 1995 (Rep. A No. 863/95), as amended. On September 1, 2009, the District Court for the capital city of Warsaw, 12th Economic Department of the National Court Register, has registered the merge of Trakcja Polska S.A. as a taking-over company with Przedsiębiorstwo Robót Komunikacyjnych-7 S.A. – as a company being taken-over. The merge of the companies has been settled and included on August 31, 2009 in the accountancy books of the company, to which the property of the merged companies passed to, i.e. Trakcja Polska S.A. by means of shares bonding method. The actual merge of the companies, according to IFRS 3 took place at the moment of taking the control, i.e. September 1, 2007.

On June 22, 2011, the Regional Court for the capital city of Warsaw in Warsaw, XIII Economic Division of the National Court Register, registered the change of the Company's business name from Trakcja Polska S.A. to Trakcja - Tiltra S.A. The above change was registered pursuant to Resolution no. 3 adopted by the Extraordinary Shareholder Meeting on June 15, 2011.

On December 21, 2012, the Regional Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register, registered the change of the Company's business name from Trakcja - Tiltra S.A. to Trakcja S.A. The above change was registered pursuant to Resolution no. 3 adopted by the Extraordinary Shareholder Meeting on December 12, 2012.

On January 29, 2002, the Company was entered in the National Court Register in the Regional Court in Warsaw at the XII Business Division under file number KRS 0000084266. The Trakcja Polska – PKRE S.A. S.A. was assigned the statistical number REGON 010952900, the taxpayer identification no. NIP 525-000-24-39 and code PKD 4212Z.

The Company is located in Warsaw at 59 Złota Street, XVIII floor. The duration of the Parent company is indefinite.

The interim financial statements cover the period of 6 months ended on June 30, 2013 and include comparative data for the period of 6 months ended on June 30, 2012 and as at December 31, 2012.

These financial statements were approved for publication by the Management Board on August 30, 2013. The financial statements are part of the condensed consolidated semi-annual report, which also includes the condensed consolidated report of the Trakcja Group (the "Group"), where the Company is a Parent company.

The composition of the Trakcja Capital Group and other general information on the Company has been presented in note no. 2 of the notes explanations included in the Group's condensed consolidated financial statements for the period of 6 months ended on June 30, 2013.

The highest level Parent company for the Trakcja Capital Group is the Spanish company COMSA S.A., which prepares consolidated financial statements where data of the Trakcja Capital Group are consolidated.

### 2. Accounting principles and changes during the half year

#### Professional judgment

If a transaction is not covered by any standard or interpretation, the Management Board, guided by its subjective judgment, shall determine and apply an accounting policy to ensure that financial statements include relevant and reliable information and:

- present the Company's property and financial situation, the financial result and cash flows in a clear and reliable manner,
- reflect the economic contents of the transaction,

- are objective,
- are prepared in accordance with the conservative valuation principle,
- are complete in all material aspects.

The subjective judgment made as at June 30, 2013 concerns provisions for claims and court cases as well as contingent liabilities.

### **Uncertainty of estimates**

To prepare the financial statements, the Management Board had to make some estimates because many information items included in the statements cannot be valued precisely. The Management Board verifies the assumed estimates based on changes of factors taken into consideration while making those estimates, new information or previous experience. Therefore the estimates made as at June 30, 2013 may be changed in the future.

### **Basic assumptions**

The financial statements have been drawn up pursuant to the historical cost principle, except for derivative instruments and financial assets available for sale, which are carried at fair value. The balance sheet value of captured collaterals of assets and liabilities is adjusted by the changes to the fair value, which may be attributed to the risk against which the assets and liabilities are collateralized.

The financial statements are presented in Polish zlotys ("PLN") and all the amounts, unless stated otherwise, are expressed in PLN thousand.

The financial statements have been prepared on the going concern basis. As at the date of approving these financial statements, there are no circumstances indicating a threat to the Company's continued operations.

The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements and they should be read jointly with the Company's financial statements for the year ended on December 31, 2012.

Polish zloty (PLN) is the measurement currency for the Company and the presentation currency of the condensed financial statements.

### **Accounting principles**

These interim financial statements have been drawn up in accordance with the International Financial Reporting Standards, which are applicable to annual periods beginning from January 1, 2013 as adopted by the European Union.

The presentation of the statements is based on IAS 34 "Interim Financial Reporting", with application of the same principles to the current and comparative periods and adjustment of the comparative period to the changes of accounting and presentation principles adopted in the statements for the current period.

A detailed description of the accounting principles adopted by the Company is presented in its financial statements for the financial year ended December 31, 2012 published on March 20, 2013 and consolidated financial statements for the period of 6 months ended June 30, 2013.

### **Effect of applying new accounting standards and changes in accounting policies**

The accounting principles (policy) applied to draw up these condensed financial statements for first half of the year 2013 are consistent with those used to draw up the financial statements for the financial year ended December 31, 2012, except for the changes described below. The same principles were used for the current period and for the comparative period, unless a standard or an interpretation assumed exclusively prospective application.

### **Changes resulting from amendments to IFRS**

The following new or amended standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee are binding from January 1, 2013:

- IFRS 13 *Fair Value Measurement*
- Amendments to IAS 19 *Employee Benefits*
- Amendments to IAS 1 *Presentation of Other Comprehensive Income*

- Amendments to IFRS 7 *Disclosures– Offsetting Financial Assets and Financial Liabilities*
- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to various standards, pursuant to the *Annual Improvements 2009-2011*
- Amendments to IFRS 1

The application of the above did not affect the results of the Company's business activity and financial situation and only resulted in changes to the applied accounting principles or expansion of the scope of essential disclosures or a change in applied terminology.

Main consequences of the application of new regulations:

- IFRS 13 *Fair Value Measurement*

The new standard was published on May 12, 2011 and supposedly was to facilitate the application of fair value measurement through limiting the complexity of solutions, and increase the consequence in the application of fair value measurement principles. The standard expressly defines the purpose of such measurement and specifies the definition of fair value.

The application of the new standard does not have significant influence on the Company's financial statements.

- Amendments to IAS 19 *Employee Benefits*

Amendments to IAS 19 were published on June 16, 2011 and apply to annual periods commencing on January 1, 2013 or later. The changes eliminate the possibility of a delay in the recognition of profits and losses, known as the "corridor approach". In addition, the amendment provides for an improvement in the presentation of changes in the balance sheet resulting from employee benefit plans as well as essential estimates presented in other comprehensive income; moreover, the scope of the required disclosures is expanded.

The application of the new standard does not have significant influence on the Company's financial statements.

- Amendments to IAS 1 *Presentation of Other Comprehensive Income*

Amendments to IAS 1 were published on June 16, 2011 and apply to annual periods commencing on July 1, 2012 or later. The changes concern grouping other comprehensive income items, which can be reclassified to the profit and loss statement. In addition, the changes confirm the possibility to present other comprehensive income and items of the profit and loss statement as one or two separate statements.

The application of the new standard does not have significant influence on the Company's financial statements.

- Amendments to IFRS 7 *Disclosures– Offsetting Financial Assets and Financial Liabilities*

Amendments to IFRS 7 were published on December 16, 2011 and apply to annual periods commencing on January 1, 2013 or later. Without amending the general rules of offsetting financial assets and financial liabilities, the scope of disclosures on offsetting such amounts was expanded. In addition, a requirement was introduced with regard to wider (more transparent) disclosures connected with credit risk management using collaterals (liens) received or granted.

The application of the new standard does not have significant influence on the Company's financial statements.

- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

The IFRIC Interpretation 20 was issued on October 19, 2011 and applies to annual periods commencing on January 1, 2013 or later. The Interpretation includes guidelines as to accounting for the cost of the removal of external layers of soil in order to gain access to extracted raw materials in surface mines.

The application of the new standard does not have influence on the Company's financial statements.

- Amendments to various standards, pursuant to the *Annual Improvements 2009-2011*

On May 17, 2012, further amendments were published to the seven standards, resulting from the proposed changes to the International Financial Reporting Standards published in June 2011. These mainly apply to annual periods commencing on January 1, 2013 or later (depending on the standard).

The Group applies amended standards in the scope of the changes as from January 1, 2013, unless a different effective date is foreseen.

The application of the new standard does not have significant influence on the Company's financial statements.

- Amendments to IFRS 1

Amendments to IFRS 1 were published on March 13, 2012 and apply to annual periods commencing on January 1, 2013 or later. The purpose of the changes is to allow the exclusion of all entities that apply IFRS for the first time from the requirement of retrospective application of all IFRSs if such entities are taking advantage of government loans with interest rates at a level below market rates.

The application of the new standard does not have influence on the Company's financial statements.

In addition, in these financial statements, the Company applied the following standards or amendments thereof for the first time, according to their effective dates set by the European Commission different from the dates set by the International Accounting Standards Board.

- Amendments to IFRS 1 *Sever Hyperinflation and Removal of Fixed Dates*

Amendments to IFRS 1 were published on December 20, 2010 and apply to annual periods commencing on July 1, 2011 or later. The changes concern a reference to the fixed date of "January 1, 2004" as the date for application of IFRS for the first time, and amend it to "the date of first time IFRS adoption" to eliminate the need to transform transactions, which occurred before the date on which the entity shifted to IFRS. In addition, guidelines were added to the standard concerning IFRS re-application during periods occurring after severe hyperinflation periods, preventing full IFRS compliance.

The amended IFRS 1 does not influence the Company's financial statements.

- Amendment to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

The amendment to IAS 12 was published on December 20, 2010 and applies to annual periods commencing on January 1, 2012 or later. The change specifies, amongst others, the method of measuring assets and deferred income tax provision in case of investment property valued in accordance with the fair value measurement model as defined in IAS 40 *Investment Property*. The entry into force of the amended standards will also result in revocation of the SIC interpretation 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*.

The amended IAS 12 does not influence the Company's financial statements.

## New standards and interpretations

In these condensed interim financial statements, the Company decided not to apply in advance any published standards or interpretations before their effective date.

The major consequences of the application of new regulations for the Company were described in the condensed consolidated financial statements of the Capital Group in Note 11 due to the fact that the potential effects for the Company are similar to those for the Group. Furthermore, the above statements contain the implementation status of these regulations in the European Union.

## Voluntary changes introduced by the Company

The Company alone has changed the presentation of costs in the accounting policy.

The Company changed the presentation of selected departments' costs from general administrative cost, where they had been previously presented, to cost of goods sold due to the fact that services of these departments are provided within basic activity (under construction contracts). In the Company's Management Board's opinion, such a presentation shall reflect the stand alone financial situation more appropriately. Pursuant to IFRS requirements, comparable data were changed.

	<b>Data published in the report for the first half of 2012</b>	<b>Data modified due to changes in presentation for the first half of 2012</b>
Cost of goods sold	(215 677)	(216 775)
General and administrative costs	(12 856)	(11 758)

## Investments property

In the reporting period, the Company changed accounting policy regarding the investment properties' valuation method. Starting from the financial year beginning on January 1, 2013 Company evaluates investment property regarding to fair value method. In the Company's opinion, application of changed policy shall result in including in Company's financial statements more reliable and useful information concerning the influence of assets held on the Company's financial situation.

Pursuant to IFRS 8 requirements, comparable data were corrected as of December 31, 2012 and as of the beginning of a reporting period that is presented the earliest – i.e.: as of January 1, 2012. The correction introduced had an impact on the net profit (an increase in 2012 net profit by PLN 1,542 thousand) and an increase in equity by PLN 6,039 thousand).

	<b>Data published in the report for the year of 2012</b>	<b>Data modified due to change accounting policy for the year of 2012</b>
Retained financial result	(32 850)	(31 308)
Equity	391 278	397 317

Details information's regarding to change accounting policy was presented in note 10.3 condensed consolidated financial statement for the period of 6 months ended June 30, 2013.

In the reporting period, the Group decided to change the appropriation of some lands and buildings constituting fixed assets in the balance sheet as of December 31, 2012. As of January 1, 2013, selected lands and buildings have been qualified as investment properties. As at the day of changing their appropriation the assets were valued at fair value by an independent appraiser. The difference between assets book value and their fair value in the amount of PLN 7 041 thousand was recognized in other comprehensive income and increased revaluation reserve.

According to the fair value model revaluation of investment property as at March 31, 2013 in the amount of PLN 4 148 thousand. was recognized in the profit of the current year. Detailed information is presented in Note 8 of this report.

All investment property valuations carried out as at 31 March 2013, the day of changing the appropriation of some land and buildings, i.e. 1 January 2013 and 1 January 2012 (in order to obtain comparable data for the earliest period presented) were carried out by an independent appraiser on the basis of market data.

## 3. Information on the Company's financial standing and its financial results achieved within 1H 2013

In the first half of the year 2013, Trakcja S.A. generated revenue on sale in the amount of PLN 163,720 thousand, which decreased by 23 per cent in comparison with the analogous period of the preceding year. Cost of goods sold for the period of 6 months in 2013 was PLN 159,454 thousand and decreased by 26 per cent in relation to the comparable period. The gross profit on sale amounted to PLN 4,266 thousand and was higher by PLN 9,054 thousand in comparison with the comparable period.

The overheads costs reached PLN 10,454 thousand and decreased by 11 per cent, i.e. by PLN 1,304 thousand in comparison with the comparable period. The sales, marketing and distribution costs amounted to PLN 437 thousand and decreased by PLN 240 thousand. Other operating revenue amounted to PLN 15,129 thousand and increased by PLN 14,723 thousand in relation to the first half of the year 2012 due to the recognition in the first half of 2013 year of income from redemption of liability of PLN 6,225 thousand, the fair value adjustment of investment property in the amount of PLN 4,148 thousand and profit on sale of non-financial assets in the amount of PLN 4,359 thousand. Other operating costs reached PLN 1,459 thousand and decreased by PLN 647 thousand. The Company generated profit on operating activity for the period of 6 months in 2013 in the amount of PLN 7,045 thousand, which increased by PLN 25,968 thousand in comparison with the loss on operating activities for the period of the first half of the year 2012.

The financial income of the Company for the period from 1 January to 30 June 2013 reached PLN 2,823 thousand and decreased in relation to the comparable period by PLN 12,032 thousand. The above was caused by the amount of a dividend received from the subsidiary company lower by PLN 12,193 thousand and higher interest income by PLN 324 thousand. The financial costs in the first half of the year 2013 decreased by PLN 2,051 thousand and amounted

The condensed notes and explanations found on pages 9-24 constitute an integral part of these condensed financial statements.



to PLN 6,064 thousand. The said decrease was due to the decrease of the costs of the interest on bonds issued by the Company and the increase of costs of the interest on credits.

In the discussed period, the Company generated the gross profit in the amount of PLN 3,804 thousand, the result was higher by PLN 15,987 thousand in comparison with the analogous period last year, when the Company generated the gross loss of PLN 12,183 thousand.

The income tax for the first half of the year 2013 was positive and amounted to PLN 1,909 thousand and entirely resulted from the change in deferred tax. In the analyzed period, the Company did not pay corporate income tax. The Company closed the first half of the year 2013 with net profit in the amount of PLN 1,895 thousand; the result was higher by PLN 11,792 thousand in relation to the result achieved in the first half of the year 2012.

The balance sheet total as for June 30, 2013 amounted to PLN 781,807 thousand and was higher by PLN 42,613 thousand than the balance sheet total at the end of 2012.

The value of non-current assets as for June 30, 2013 was PLN 580,766 thousand and increased by PLN 12,519 thousand, which constitutes an increase by 2 per cent in comparison with the annual balance sheet total as for December 31, 2012. The said increase mainly resulted from the increase of the investment properties by PLN 14,577 thousand in connection with the transfer of certain land and buildings to investment property following a change in their destination and the valuation of investment property to fair value in accordance with the adopted from January 1, 2013 the accounting policy relating to investment property under the fair value model.

Current assets increased by 18 per cent in comparison with the balance as for December 31, 2012 and amounted to PLN 201,041 thousand. The said increase mainly resulted from the increase in trade and other receivables by the amount of PLN 28,810 thousand as well as from the increase in inventory by the amount of PLN 11,995 thousand. The decrease of cash and cash equivalents by PLN 22,213 thousand was mainly due to settlement of current liabilities. The Company implements the policy of price optimization for the purchased materials and therefore purchases the inventories that are necessary for the currently realized and commenced contracts. The building contracts as for balance sheet date amounted to PLN 44,083 thousand and increased by PLN 9,341 thousand, which constitutes the increase by 27 per cent, in comparison to the preceding year.

As for June 30, 2013, the Company's equity amounted to PLN 501,190 thousand and increased by PLN 103,873 thousand, i.e. by 26 per cent in comparison with the balance as for December 31, 2012. The said increase was mainly due to an increase in the premium share resulting from the bonds reduction.

As for June 30, 2013, the Company's non-current liabilities amounted to PLN 83,839 thousand and increased by PLN 40,425 thousand, i.e. by 93 per cent in comparison with the balance as for December 31, 2012. The said increase resulted from the increase of the bonds by PLN 36,895 thousand.

The current liabilities amounted to PLN 196,778 thousand and decreased by PLN 101,685 thousand, i.e. by 34 per cent in comparison with the balance at the end of the preceding year. The said decrease mainly resulted from the decrease of bonds. As for June 30, 2013, trade payables reached PLN 95,548 thousand and decreased by PLN 20,661 thousand in comparison with the balance as for December 31, 2012. The short-term credits and loans amounted to PLN 86,782 thousand as for the balance sheet date on June 30, 2013 and increased in comparison with the balance at the end of the preceding year by PLN 67,651 thousand.

#### 4. Revenues on sales

	1.01.2013 - 30.06.2013	1.01.2012 - 30.06.2012
	Unaudited	Unaudited
<b>Revenues on sales</b>		
Revenues from sales of construction services	159 951	203 513
Revenues on sales of merchandise and materials	2 494	3 731
Revenues on sales of other products and services	1 275	4 743
<b>Total</b>	<b>163 720</b>	<b>211 987</b>

## 5. Other operating income

	1.01.2013 - 30.06.2013	1.01.2012 - 30.06.2012
	Unaudited	Unaudited
Released provisions, including:	89	-
- for jubilee	89	-
Others, including:	15 040	406
- received penalties and fines	51	146
- redeemed liabilities	6 225	132
- valuation of investment property	4 148	-
- profit on sale of non-financial non-current assets	4 359	36
- other	257	92
<b>Total</b>	<b>15 129</b>	<b>406</b>

During the first half of the year 2013, the Company updated the fair value of investment property and recognized the positive effect on the result in the amount of PLN 4,148 thousand.

The value of revenue due to the redeemed liability amounting to PLN 6,225 thousand results from an agreement concluded with the contractor. The agreement was described in note no. 46 of consolidated semi-annual report for the period of 6 months ended on June 30, 2013.

In the first half 2013 years the Company recognized a gain of PLN 4,359 thousand from the sale of the property located at Oliwska Street and the property situated at Górczewska Street in Warsaw classified as fixed assets.

## 6. Financial income

	1.01.2013 - 30.06.2013	1.01.2012 - 30.06.2012
	Unaudited	Unaudited
Financial revenues from interest, including:	1 500	1 176
- bank interest	101	777
- interest on receivables	52	1
- interest on released provisions for interest on liabilities	792	195
- interest on borrowings	546	115
- other interest	9	88
Profit from participation in related parties (dividends)	1 000	13 193
Financial income from FX differences	273	-
Financial income from participation in the cost of guarantees	12	-
Resolving of receivables write-downs	38	209
Other financial income	-	277
<b>Total</b>	<b>2 823</b>	<b>14 855</b>

## 7. Explanation of the differences between the data published in this semi-annual financial report and estimated consolidated financial results of the Trakcja Group and the estimated separate financial results of the Trakcja Company for the first half of the year 2013 (published in the current report 67/2013 of August 1, 2013)

The financial results of the Trakcja Group and the financial results of the Trakcja Company, published on August 1, 2013 in the current report 67/2013 did not change, and simultaneously they constitute the final financial results for the first half of the year 2013.

## 8. Revaluation profits charged to the revaluation reserve

In the comprehensive income statement, the Company presented the value of the profit from revaluation of investment property, charged to the revaluation reserve. The gross value of revaluation recognized in the revaluation reserve amounts to PLN 8,379 thousand, and the value of deferred tax is PLN 1,652 thousand. The net value was recognized in the revaluation reserve of PLN 7,041 thousand.

## 9. Property, plant and equipment

In the current period, the Company disposed of its property, plant and equipment with a total balance sheet value of PLN 1,938 thousand. In the first half of 2013 years, the Company purchased tangible fixed assets in the amount of PLN 326 thousand, the Company purchased mainly machinery and equipment.

As at January 1, 2013, the Company decided to change the destination of selected land and buildings, which were then transferred to investment property. The total book value of land and buildings that were subject to reclassification to investment properties amounted to PLN 1,736 thousand.

## 10. Investments in subordinated entities

The Company owns:

- shares and ownership interests of the total value of PLN 364,109 thousand in companies belonging to the AB Kauno Tiltai capital groups, with the parent company seated in Kaunas respectively, representing a 96.84% stake in the share capital of AB Kauno Tiltai. Total Trakcja's interest in its subsidiary AB Kauno Tiltai amounts to 98,09% (96,84% direct interest and 1,25% indirect interest). Indirect interest results from possessing own shares by Ab Kauno Tiltai.
- shares worth PLN 52,305 thousand in Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., seated in Wrocław, giving a 100% stake in the company's share capital;
- ownership interests worth PLN 18,133 thousand in PRK 7 Nieruchomości Sp. z o.o., seated in Warsaw, giving a 100% stake in the company's equity capital;
- ownership interests worth PLN 1,400 thousand in Torprojekt Sp. z o.o., seated in Warsaw, giving a 82.35% stake in the company's equity capital.
- ownership interest worth PLN 65 thousand in Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o., seated in Białystok, giving a 0,2% stake in the company's equity capital.

## 11. Investment property

	30.06.2013	31.12.2012	1.01.2012
	Unaudited	Modified	Modified
<b>As at the start of the period (by type groups) - net value:</b>	<b>11 122</b>	<b>9 218</b>	<b>3 666</b>
- land	7 203	4 438	3 666
- buildings, premises, civil and water engineering structures	3 919	4 780	-
<b>Increases:</b>	<b>13 989</b>	<b>2 765</b>	<b>5 552</b>
- land	7 673	2 765	772
- revaluation	850	2 765	772
- transferred from fixed assets	7 411	-	-
- buildings, premises, civil and water engineering structures	6 316	-	4 780
- revaluation	3 298	-	4 780
- transferred from fixed assets	3 018	-	-
<b>Decreases</b>	<b>-</b>	<b>861</b>	<b>-</b>
- land	-	-	-
- buildings, premises, civil and water engineering structures	-	861	-
- revaluation	-	861	-
<b>As at the end of the period (by type groups) - net value:</b>	<b>25 111</b>	<b>11 122</b>	<b>9 218</b>
- land	14 876	7 203	4 438
- buildings, premises, civil and water engineering structures	10 235	3 919	4 780

In the reporting period, the Company decided to change the appropriation of some lands and buildings constituting fixed assets in the balance sheet as of December 31, 2012. As of January 1, 2013, selected lands and buildings have been qualified as investment properties previously appraised to fair value as of the day of changing their

appropriation and this change has been recognized in the revaluation reserve. The revaluation of these lands and buildings as of the balance sheet day March 31, 2013 has been recognised in the current year's result.

Total fair value of lands and buildings subject to requalification (as a result of appropriation change) amounted to:

As of 01.01.2013: PLN 10 429 thousand.

The difference between the book value and the fair value of the reclassified fixed assets as at January 1, 2013 amounted to PLN 8,693 thousand and is included in the revaluation reserve in the net amount of PLN 7,041 thousand.

As a result of changes in accounting policies relating to investment property valuation at the fair value, a valuations of these investment property were conducted as at December 31, 2012 and the beginning of the earliest reporting period – i.e., January 1, 2012, and recognized in the reporting periods to update their values.

## 12. Construction contracts

	<b>30.06.2013</b>	<b>31.12.2012</b>	
	Unaudited	Modified	
Cumulative revenues recognized in the profit and loss account	159 951	504 874	
Cumulative costs recognized in the profit and loss account	153 900	506 127	
<b>Gross profit/(loss)</b>	<b>6 052</b>	<b>(1 253)</b>	

	<b>30.06.2013</b>	<b>31.12.2012</b>	<b>1.01.2012</b>
	Unaudited	Modified	Modified
Surplus of income invoiced over revenues			
by degree of advancement	295	273	2 737
Surplus of income by degree of advancement			
over invoiced revenues	43 958	31 990	24 712
Advances provided on account of contracts being performed	125	2 752	19 950
Advances received on account of contracts being performed	-	9 496	40 704
Provisions for anticipated losses on contracts	-	345	1 278
<b>Capturing in the balance sheet:</b>			
<i>among current assets</i>			
<b>Construction contracts</b>	<b>44 083</b>	<b>34 742</b>	<b>44 662</b>
<i>among short-term liabilities</i>			
<b>Construction contracts</b>	<b>295</b>	<b>10 114</b>	<b>44 717</b>

## 13. Inventory

	<b>30.06.2013</b>	<b>31.12.2012</b>	<b>01.01.2012</b>
	Unaudited	Modified	Modified
Materials	27 131	18 571	12 530
Semi-finished goods and products in progress	4 696	1 269	3 833
Finished goods	187	187	253
Merchandise	10	11	11
<b>Total, gross inventory</b>	<b>32 025</b>	<b>20 038</b>	<b>16 627</b>
<b>Inventory write-offs</b>	<b>(883)</b>	<b>(891)</b>	<b>(855)</b>
Materials	26 275	17 707	11 703
Semi-finished goods and products in progress	4 696	1 269	3 833
Finished goods	160	160	226
Merchandise	10	11	10
<b>Total, net inventory</b>	<b>31 142</b>	<b>19 147</b>	<b>15 772</b>

#### 14. Trade receivables and other receivables

	30.06.2013	31.12.2012	01.01.2012
	Unaudited	Modified	Modified
Gross trade receivables, before discounting	185 405	61 786	238 064
Discounting of receivables	-	-	-
<b>Total, gross trade receivables</b>	<b>185 405</b>	<b>61 786</b>	<b>238 064</b>
including:			
- receivables from related entities	15 164	13 080	17 437
Budgetary receivables	3 692	-	-
Amounts held	1 529	2 341	3 317
Other receivables from third parties	8 210	11 711	6 337
Other receivables from subsidiaries	1 000	-	-
<b>Total, gross trade and other receivables</b>	<b>199 835</b>	<b>75 838</b>	<b>247 718</b>
Receivables write-offs	(96 096)	(909)	(1 152)
<b>Total</b>	<b>103 739</b>	<b>74 929</b>	<b>246 566</b>

#### 15. Share capital

	30.06.2013	31.12.2012	1.01.2012
	Unaudited	Modified	Modified
	Par value 0.1 PLN	Par value 0.1 PLN	Par value 0.1 PLN
Series A ordinary shares	1 599 480	1 599 480	1 599 480
Series C ordinary shares	83 180 870	83 180 870	83 180 870
Series D ordinary shares	19 516 280	19 516 280	19 516 280
Series E ordinary shares	25 808 850	25 808 850	25 808 850
Series F ordinary shares	30 000 000	30 000 000	30 000 000
Series G ordinary shares	72 000 000	72 000 000	72 000 000
Series H ordinary shares	179 090 904	-	-
<b>Total</b>	<b>411 196 384</b>	<b>232 105 480</b>	<b>232 105 480</b>

Based on the resolution no. 5 of the Extraordinary Shareholders Meeting of December 12, 2012, the share capital of Trakcja S.A. was increased by PLN 17,909 thousand. The increase of the capital was executed through issuance of 179,090,904 H series ordinary shares with the nominal value of PLN 0.10 each. The increase of the share capital through issuance of H series shares took place upon the execution by holders of D series bonds of their right to acquire H series shares (holders of registered D series bonds were entitled to exchange them to H series ordinary shares). The right to acquire H series shares was exercised within the exchange term to March 31, 2013. After the exchange of bonds to shares, the amount of the Company's share capital is PLN 41,119,638.40 and it is divided into 411,196,384 shares entitled to the same amount of votes at the Company's general meeting.

In connection with the issuance of the H series bonds, a share premium increased by PLN 78,289 thousand.

#### 16. Interest-bearing bank credits and loans

	30.06.2013	31.12.2012	1.01.2012
	Unaudited	Modified	Modified
Bank loans	75 343	17 000	71 546
Loans from other entities	9 535	-	9 834
Financial lease liabilities	5 381	6 527	5 689
<b>Total</b>	<b>90 260</b>	<b>23 527</b>	<b>87 069</b>

Aging of bank credits and loans:

	30.06.2013	31.12.2012	1.01.2012
	Unaudited	Modified	Modified
Long term	3 478	4 396	3 737
Short term	86 782	19 131	83 332
<b>Total</b>	<b>90 260</b>	<b>23 527</b>	<b>87 069</b>

#### 17. Other financial liabilities

In the item entitled "Other financial liabilities" the Group presented a factoring liability in the amount of PLN 9,630 thousand. On May 10, 2013 the Group concluded a factoring contract with a regress. The limit of financing provided in the contract amounts to PLN 70,000 thousand. Factoring interest is calculated based on the variable WIBOR O/N rate increased by the factor's fixed margin.

## 18. Bonds

General information referring to the bonds as at June 30, 2013:

Bond series	Issue date	Bond redemption date	Bond nominal value (in PLN)	Series nominal value (in PLN)
A	19.04.2011	12.12.2013	1 000	240 000
C	31.01.2013	31.12.2015	1 000	29 529 000
E	31.01.2013	31.12.2015	1 000	20 921 000

On November 16, 2012, the Management Board of Trakcja informed that it decided to undertake activities to change the structure, prolong the maturity date, and decrease the Company's debt, aiming at adjustment of the debt's maturity to the currently performed construction contracts, strengthen the Company's capital structure and ensure availability of bank financing at an appropriate level.

On January 31, 2013, the Company issued: 29 529 secured C series secured bonds with the total nominal value of PLN 29,529 thousand, 197 D series convertible bonds with the total nominal value of PLN 98,500 thousand, and 20,921 unsecured E series bonds with the total nominal value of PLN 20,921 thousand. Holders of D series bonds were granted the right to convert bonds to ordinary H series shares with the nominal value of PLN 0.10 each, issued by the Company within the scope of a conditional increase of the share capital pursuant to the resolution no. 5 of the Extraordinary Shareholders Meeting of December 12, 2012.

On January 31, 2013, the Company purchased, for redemption purposes: 142 778 unsecured A series bonds with the nominal value of 1,000 each and the total nominal value of PLN 142,778 thousand, and 13 000 unsecured B series bonds with the nominal value of PLN 1,000 each and the total nominal value of PLN 13,000 thousand, issued by the Company on April 19, 2011 (on February 8, 2013, the management board of the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) undertook a resolution in connection with the redemption of A and B series bonds by the Company). The payment for purchased A series bonds and B series bonds took place through cash payment and offsetting claims due to some bondholders in regard to the Company, and due to the Company in regard to these bondholders.

Moreover, on March 1, 2013 the Company purchased, for redemption purposes, 5 346 unsecured A series bonds with the nominal value of PLN 1,000 each and the total nominal value of PLN 5,346 thousand; as at June 30, 2013, the Company still holds 240 A series bonds with the nominal value of PLN 240 thousand with the redemption date of December 12, 2013.

The Company received the following bond conversion demands from holders of D series bonds convertible to H series Company shares:

Date of submission of the demand by bondholders	Number of D series convertible bonds	Number of received H series shares	Date of admission of H series shares to trading	Number of the resolution of the GPW Management Board concerning admission of the shares	Date of KDPW resolution concerning conversion of bonds to shares	Number of the KDPW resolution concerning conversion of bonds to shares
February 4, 2013	131	119 090 904	February 26, 2013	228/2013	February 28, 2013	126/13
February 19, 2013	66	60 000 000	March 15, 2013	286/2013	March 19, 2013	181/13

After conversion of all D series bonds to shares, the amount of the Company's share capital is PLN 41,119,638.40 and is divided into 411,196,384 shares, which entitle to the same number of votes at the Company's general meeting.

Due to the conversion of the D series bonds issued by the Company and the increase of the Company's share capital, the Company's shareholding structure has changed, of which the Company informed in its current reports. The state of the shareholders who hold directly, or through subsidiaries, at least 5% of the general number of votes at the General Shareholders Meeting as at the date of submission of the financial statements was presented in note 3.1 to the Report of the Management Board on the activities of Trakcja Capital Group for the 6 months ended on June 30, 2013.

Bond ageing structure:

	30.06.2012	31.12.2012	1.01.2012
	Unaudited	Modified	Modified
Long-term	49 808	12 913	160 040
Short-term	240	147 761	5 695
<b>Total</b>	<b>50 047</b>	<b>160 674</b>	<b>165 735</b>

Interests are paid at interest dates falling on June 30 and December 31 of each year from the day of issue to the maturity date of bonds of A, C, and E and at maturity date of bonds A, C, and E.

Bond liability on June 30, 2013 amounted to PLN 50,047 thousand.

In the short-term liabilities the Company presented the value of bonds A with maturity date on December 12, 2013.

## 19. Trade liabilities and other liabilities

	30.06.2013	31.12.2012	1.01.2012
	Unaudited	Modified	Modified
<b>Trade liabilities, before discounting</b>	<b>92 570</b>	<b>108 317</b>	<b>193 408</b>
Discounting of liabilities	-	-	-
<b>Total, net trade liabilities after discounting</b>	<b>92 570</b>	<b>108 317</b>	<b>193 408</b>
including:			
- liabilities from related entities	7 399	2 490	21 985
Budgetary liabilities	1 924	6 841	9 343
Payroll liabilities	796	827	1 036
Other liabilities towards third parties	258	224	152
<b>Total trade and other liabilities</b>	<b>95 548</b>	<b>116 209</b>	<b>203 939</b>

## 20. Provisions

	Provisions
<b>As at 1.01.2013</b>	<b>3 231</b>
Modified	
Recognized	460
Variances due to currency translation	-
Used	(1 900)
Reversed	(193)
<b>As at 30.06.2013</b>	<b>1 599</b>
Unaudited	
Ageing structure of provisions:	
- long-term	820
- short-term	779

## 21. Change of the write downs of assets

	Tangible asstes	Intangible assets	Inventory	Receivables	Total
<b>As at 1.01.2013</b>	-	-	891	909	1 799
Modified					
Recognized	-	-	10	290	301
Used	-	-	-	(139)	(139)
Reversed	-	-	(18)	(261)	(279)
<b>As at 30.06.2013</b>	-	-	883	799	1 682

## 22. Additional information to cash flow statement

	30.06.2013	31.12.2012
	Unaudited	Modified
Cash in hand	16	18
Cash in bank	2 839	15 682
Other cash - deposits up to 3 months	12 513	21 881
<b>Total</b>	<b>15 368</b>	<b>37 581</b>
Cash and cash equivalents excluded from the cash flow statement	(1 278)	-
<b>Cash and cash equivalents for the purposes of the cash flow statement</b>	<b>14 090</b>	<b>37 581</b>
- Including restricted cash	978	-

Cash excluded from the cash flow statement as at June 30, 2013 concerns cash of restricted use for repayment of the liability in the amount of PLN 1,278; restricted cash includes cash assigned for repayment of interest on bonds.

## 23. Conditional receivables and liabilities

	30.06.2013	31.12.2012	1.01.2012
	Unaudited	Modified	Modified
<b>Contingent receivables</b>			
<b>From related entities on account of:</b>	<b>180 146</b>	<b>180 146</b>	<b>117 315</b>
Guarantees and sureties received	180 146	180 146	115 984
Bills of exchange received as collateral	-	-	1 331
<b>From other entities on account of:</b>	<b>86 619</b>	<b>88 049</b>	<b>95 076</b>
Guarantees and sureties received	77 779	79 638	84 770
Bills of exchange received as collateral	8 840	8 411	10 306
<b>Total contingent receivables</b>	<b>266 765</b>	<b>268 195</b>	<b>212 391</b>
<b>Contingent liabilities</b>			
<b>From related entities on account of:</b>	<b>81 385</b>	<b>81 385</b>	<b>46 856</b>
Guarantees and sureties given	81 385	81 385	46 856
<b>From other entities on account of:</b>	<b>1 804 102</b>	<b>1 091 945</b>	<b>610 758</b>
Guarantees and sureties given	184 364	228 489	254 779
Own promissory notes	203 605	205 345	205 420
Mortgages	112 500	112 500	112 500
Assignments of receivables	1 257 608	505 193	32 133
Assignments of rights under insurance policies	34 445	36 665	2 793
Deposits	9 688	1 859	3 133
Other liabilities	1 892	1 894	-
<b>Total contingent liabilities</b>	<b>1 885 487</b>	<b>1 173 330</b>	<b>657 614</b>

Due to employment contracts executed with the employees and Members of the Management Board, as for June 30, 2013 the Group had contingent receivables in the amount of PLN 746 thousand and contingent liabilities in the amount of PLN 6,679 thousand. Furthermore, in case of breach of duties of a Manager as stipulated in the agreement on non-competition, the Manager will pay the Company, without any undue delay or termination notice or demand by the Company, liquidated damages as a counter value of EUR 25,000 in PLN for each case of breach, and counter value of EUR 1,000 in PLN for each day of breach.

Tax settlements and other areas of activity subject to regulations (e.g. matters related to customs or foreign currencies) may be audited by the administrative authorities authorized to impose high fines and sanctions. Lack of reference to the established legal regulations in Poland results in ambiguities and inconsistencies in the prevailing law. Frequent differences of opinion regarding legal interpretation of tax provisions, both within state authorities and between state authorities and companies, result in the emergence of areas of uncertainty and conflict. These phenomena mean that the tax risk in Poland is higher than the risk usually appearing in countries with a more developed fiscal system. Tax settlements may be audited for a period of five years, starting from the end of the year in which the tax was paid. As a result of conducted audits, additional tax liabilities may be added to the Company's previous tax settlements. The Company believes that as at 30 June 2012 adequate reserves were established for the identified and measurable tax risk.



## 24. Transactions with related entities

Transactions with related entities were concluded on market terms and conditions.

Information on the receivables from and liabilities to related entities as at the balance sheet date and the end of the comparative period is presented below.

Related entities	Period	Sales to related entities	Purchases from related entities	Revenues on account of interest and dividend	Costs on account of interest
<b>Shareholders:</b>					
COMSA S.A.	1.01.13-30.06.13	-	-	-	-
	1.01.12-30.06.12	10	-	-	-
<b>Trakcja Group companies:</b>					
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	1.01.13-30.06.13	1 717	9 012	97	45
	1.01.12-30.06.12	4 471	11 466	13 193	160
PRK 7 Nieruchomości Sp. z o.o.	1.01.13-30.06.13	38	-	1 000	2
	1.01.12-30.06.12	25	154	-	-
Bahn Technik Wrocław Sp. z o.o.	1.01.13-30.06.13	-	-	-	-
	1.01.12-30.06.12	-	567	-	-
Torprojekt Sp. z o.o.	1.01.13-30.06.13	70	880	-	-
	1.01.12-30.06.12	66	1 092	16	12
AB Kauno Tiltai	1.01.13-30.06.13	58	16	-	-
	1.01.12-30.06.12	20	14	-	-
AB Kauno Tiltai lenkijos skyrius	1.01.13-30.06.13	-	-	-	-
	1.01.12-30.06.12	5	-	2	-
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	1.01.13-30.06.13	2 125	-	456	-
	1.01.12-30.06.12	501	-	97	-
<b>Total</b>	<b>1.01.13-30.06.13</b>	<b>1 883</b>	<b>9 908</b>	<b>1 097</b>	<b>47</b>
	<b>1.01.12-30.06.12</b>	<b>5 088</b>	<b>13 293</b>	<b>13 308</b>	<b>172</b>

The total amounts of the transactions concluded with related entities in the period covered by the condensed financial statements and in the comparative period are presented below.

Related entities	Balance sheet date	Receivables from related entities	Liabilities towards related entities	Loans granted	Loans received
<b>Shareholders:</b>					
COMSA S.A.	30.06.13	-	-	-	-
	31.12.12	-	-	-	-
<b>Trakcja Group companies:</b>					
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	30.06.13	1 469	6 605	-	7 034
	31.12.12	3 545	2 481	-	-
PRK 7 Nieruchomości Sp. z o.o.	30.06.13	9 200	-	-	2 502
	31.12.12	7 167	6	-	-
Bahn Technik Wrocław Sp. z o.o.	30.06.13	-	-	-	-
	31.12.12	-	-	-	-
Torprojekt Sp. z o.o.	30.06.13	45	780	-	-
	31.12.12	40	-	-	-
AB Kauno Tiltai	30.06.13	-	13	-	-
	31.12.12	-	3	-	-
AB Kauno Tiltai lenkijos skyrius	30.06.13	-	-	-	-
	31.12.12	16	-	-	-
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	30.06.13	6 141	-	17 459	-
	31.12.12	4 473	-	16 223	-
<b>Total</b>	<b>30.06.13</b>	<b>16 855</b>	<b>7 398</b>	<b>17 459</b>	<b>9 536</b>
	<b>31.12.12</b>	<b>15 241</b>	<b>2 490</b>	<b>16 223</b>	<b>-</b>

Warsaw, August 30, 2013

*Management Board:*

Roman Przybył  
President of the Board

Marita Szustak  
Vice – president of the Board

Nerijus Eidukevičius  
Vice – president of the Board

Tadeusz Kałdonek  
Vice – president of the Board

*Statement prepared by:*

Elżbieta Okuła  
Chief Accountant



## **TRAKCJA CAPITAL GROUP**

### **REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2013**

*prepared on the basis of § 90 of the Regulation of the Minister of Finance dated February 19, 2009 on the current and periodic disclosures to be made by the 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 2009 No 33 item 229, as amended)*

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

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*Any figures provided in this Report on the Activities of the Issuer Group are presented in thousands of Polish zlotys, unless explicitly stated otherwise. The financial information contained in this report have been prepared in accordance with International Financial Reporting Standards ("IFRS"). We would like to draw special attention to statements relating to the future (such as may, will, expect, believe, estimate), because they are based on certain assumptions that involve risks and uncertainties. The Group is therefore not liable for the information.*

## **1. BUSINESS ACTIVITIES OF THE TRAKCJA CAPITAL GROUP**

### **1.1. General information about the Group**

The Group, consisting of Trakcja S.A. ("Trakcja", "Company", "Parent Company", "Issuer"), Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. ("PRKił SA", "PRKił"), Bahn Technik Wrocław Sp. z o.o. ("Bahn Technik"), PRK 7 Nieruchomości Sp. z o.o. ("PRK 7 Nieruchomości"), TORPROJEKT Sp. z o.o. ("Torprojekt"), AB Kauno Tiltai ("Kauno Tiltai"), P.E.U.I.M. Sp. z o.o. ("P.E.U.I.M") is one of the leading rail and road infrastructure construction entities in the Polish and Lithuanian market.

The Group's key activity with regard to rail infrastructure construction is the organisation and completion of construction and installation works necessary for comprehensive construction and modernisation of railway and tram lines. We carry out earthwork for the modernisation and construction of track beds and the reconstruction of engineering facilities (passes, bridges, viaducts, etc.) and also the works related to surface construction or replacement (railway track bed). We also provide comprehensive services involving the construction of electrical traction supply systems and the construction and modernisation of the traction network. An important part of our offer includes the capacity construction both for railway infrastructure purposes (traction substation buildings, switch towers, railway crossing cabins, railway stations, train buildings and other) and general construction (housing and offices). Our services also include the construction of power systems and remote control systems. For sixty years, companies from our Capital Group have been implementing complete power installations of medium and – recently – high voltage, in new, modernised and renovated railway power facilities.

The Group has modernised several thousand kilometers of railway lines and provided power to over 10,000 kilometers of railway lines. We have also constructed and modernised over 450 traction substations and 380 track section cabins. The Group is currently participating in the modernisation of railway lines to harmonize Polish railway infrastructure with the integrated communication system introduced by the European Union countries.

Owing to over 60 years of market experience, the Group managed to develop high quality work order completion systems, which are highly appreciated by Partners, because they allow for the safety of the future use of the infrastructure that is built or renovated by us to be maintained and also for the devices manufactured by Group to be applied.

In the road construction sector, the Group specialises in the construction and reconstruction of roads, motorways, bridges, viaducts, airports, ports, and installation of public facilities infrastructure. At the beginning of its activity, i.e. from 1949, Kauno Tiltai, a company belonging to the Group and the largest company operating in the infrastructure construction sector in the Baltic countries, constructed over 100 bridges and viaducts and was responsible for the construction and reconstruction of numerous roads in the territory of the whole Lithuania.

The companies also own modern establishments involved in the production of asphalt, concrete – reinforced concrete, emulsion, modified bitumen, as well as mines.

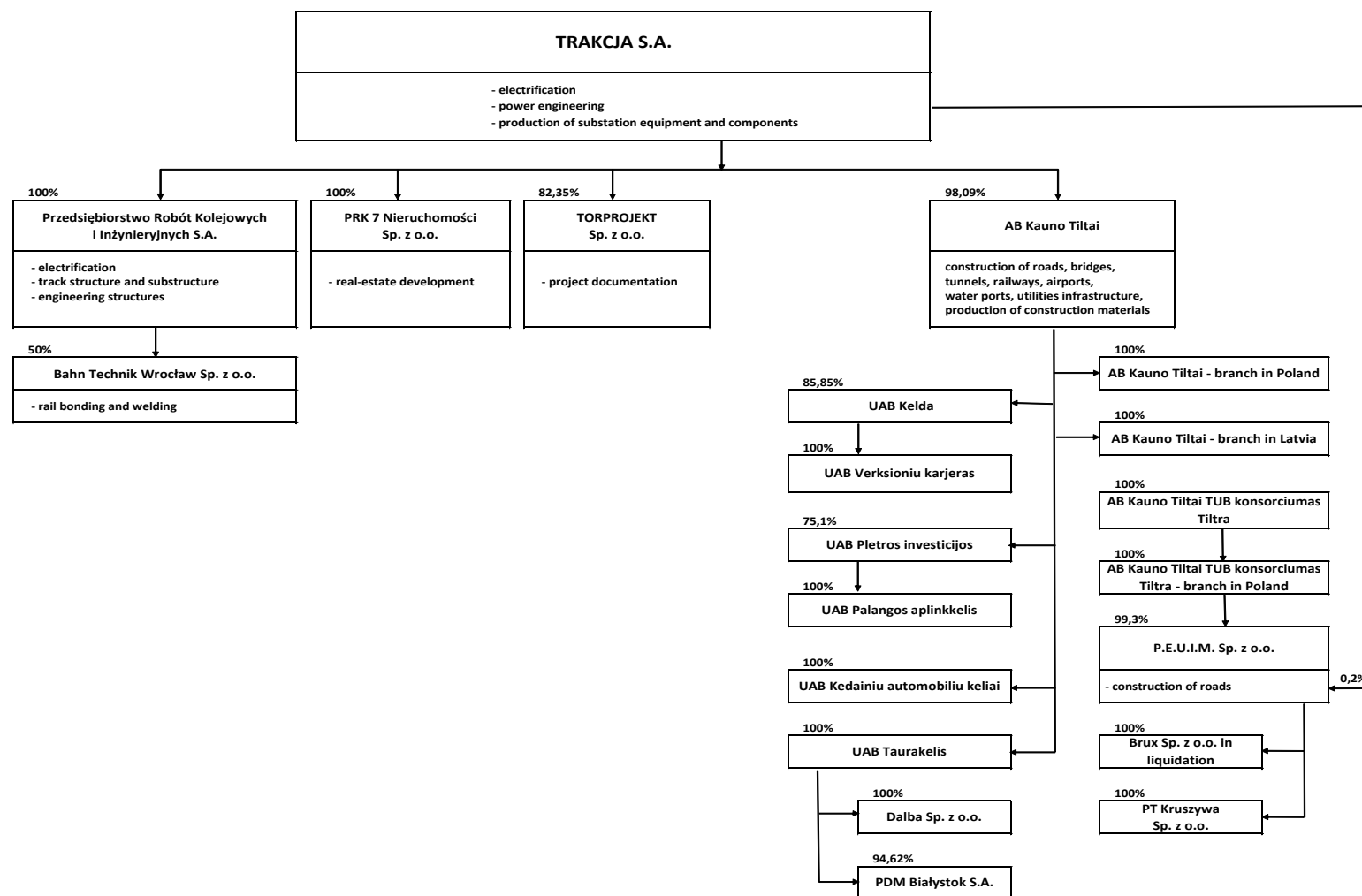
Knowing how important the quality of the products manufactured by Group is, we care for products to comply with the required quality standards. The foregoing is demonstrated by numerous certificates granted to the Group, and in particular, by the following: the „Certificate of systems and products approved and used by PKP” and the “Certificate approving application by PKP” issued by the Railway Scientific and Technical Centre [Centrum Naukowo-Techniczne Kolejnictwa, CNTK], and also by the certificates issued by the Electrotechnical Institute [Instytut Elektrotechniki].

Our long-term market practice allowed us to develop techniques for managing projects, which provided us with ability to complete our projects within the agreed schedules and simultaneously maintain the required quality and meet special requirements of the investors.

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

## 1.2. Capital Group

As for the balance sheet date, i.e. June 30, 2013, the Group's capital structure was as follows:



\*) Trakcja SA has a total of 98.09% (96.84% directly and indirectly 1.25%) of the share capital of the subsidiary AB Kauno Tiltai. The indirect share is a result of the acquisition of shares by a subsidiary.

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The Polish original should be referred to in matters of interpretation.

### 1.3. Changes in the Capital Group and effects thereof

In the period from January 1, 2013 to June 30, 2013 the Group made adjustments in the Group structure.

On February 25, 2013, the subsidiary AB Kauno Tiltai established a branch of his company in Latvia.

On April 5, 2013, the subsidiary UAB Pletros Investicijos set up a company UAB Palangos Aplinkkelis based in Vilnius, where it holds a 100% stake in its share capital.

### 1.4. Information about the major entities within the Capital Group

Main entities subject to consolidation:

#### *Trakcja S.A.*

Trakcja S.A. is one of the leading players on the Polish rail infrastructure construction market. The main scope of activity of the Company is the organization and completion of construction and installation works within the comprehensive construction and modernization of the (railway and tram) railroads. We do earthworks related to the modernization or construction of railroad bed with the reconstruction of engineering structures (culverts, bridges, viaducts, etc.), works related to the construction or replacement of road surfaces (track-ways). In addition, we „perform comprehensive services for the construction of electric traction power supply systems and the construction and modernization of the traction network. An important element of offer is buildings' construction, both for the railway infrastructure (buildings of traction substations, movement control stations, railway crossing stations, railway stations, railway halls and others) as well as general (residential and office) construction industry. An addition to services is the construction of power systems and remote control systems. Since over fifty years the company has completed comprehensive medium - and recently also high-voltages installations, in both new and modernized and refurbished railway station power facilities.

#### *Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.*

The company PRKiL S.A. with its registered office in Wrocław is the only company in Poland that runs business in both railway track and electric traction industry. The company's business activities include primarily: the preparation of land for construction works, erection of complete buildings or their parts, execution of construction installation, railway and road engineering, execution of overhead and underground power supply lines, performance of tram and railway electric traction works, water engineering, rental and operation of construction equipment as well as the finishing works.

PRKiL S.A. has modern, highly-specialised stock of machinery (for railway and construction purposes) consisting of equipment manufactured by reputable global companies, such as Caterpillar, Huddig and Orenstein & Koppel. The company also cooperates with numerous specialised companies, which allows it to provide its customers with a comprehensive scope of services.

#### *PRK 7 Nieruchomości Sp. z o.o.*

PRK 7 Nieruchomości runs a broadly defined real estate development business and has a track record of several successful investments, which include, among other things: Lazurowe Osiedle residential project in Warsaw - stage I and II and the project at Oliwska Street in Warsaw. Currently, the Company is implementing a project involving the construction of three multifamily buildings in Warsaw at Pełczyńskiego Street.

#### *Torprojekt Sp. z o.o.*

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

#### *Bahn Technik Wrocław Sp. z o.o.*

Currently, PRKiL S.A. is a 50-per cent shareholder in the share capital of Bahn Technik. The remaining 50 per cent of shares is held by Leonhard Weiss GmbH & Co, a company incorporated under German law, with its registered office in Göppingen.

The scope of business activities of Bahn Technik includes: the sale of Strail crossing surface offered by Gummiwerk Kraiburg Elastik GmbH, thermite welding, repair and renovation of turnouts, renovation of railway and tramway



crossings, execution of pre-stressed, glued insulation joints, sale of Railtech welding materials and Perker SR rail lubrication systems.

Bahn Technik renders its services both in Poland and abroad. The Company is building its brand based on the appropriate GIK and UTK Certificates, as a result of which its works meet the strictest requirements and standards of railway certificates.

#### *AB Kauno Tiltai*

AB Kauno Tiltai is the largest company in the road and bridge construction sector among the Baltic countries. The Company specialises in the construction and reconstruction of roads, bridges, tunnels, railways, airports, water ports, which is confirmed, inter alia, by the fact that from the beginning of its business activities, i.e. since 1949, AB Kauno Tiltai has constructed over 100 bridges and viaducts and has been responsible for the construction and reconstruction of numerous roads within the whole territory of the Lithuania.

#### *Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.*

P.E.U.I.M. is a company from the road construction sector, whose business activities are concentrated in the Northern East Poland. The Company was established in 1960 in Białystok. P.E.U.I.M. specialises in the construction of roads, pavements, installation of signalling and safety devices to secure the roads. Moreover, the Company manufactures bituminous mass, concrete and other building materials.

#### *Other companies consolidated within the Trakcja Group*

Among other companies subject to consolidation there are: Dalba Sp. z o.o., PDM Białystok S.A., PT Kruszywa Sp. z o.o., UAB Kelda, UAB Verksioniu karjeras, UAB Taurakelis, UAB Kedainiu Automobiliu Keliai, AB Kauno Tiltai TUB Konsorciumas Tiltra, UAB Pletros investicijos, UAB Palangos aplinkkelis.

## 1.5. Employment in the Group

	6-month period ended
	30.06.2013
<b>Average employment in the Group in the reporting period</b>	
Management Board of the parent company	5
Management Boards of the Group's entities	18
Administration	228
Sales department	52
Production division	1 090
Others	743
<b>In total</b>	<b>2 136</b>
	30.06.2013
<b>Employment in the Group of Companies as for the balance sheet date</b>	
Management Board of the parent company	5
Management Boards of the Group's entities	16
Administration	230
Sales department	51
Production division	1 085
Others	829
<b>In total</b>	<b>2 216</b>

## 1.6. Products and services

The scope of activities includes the following services:

### ***Comprehensive modernisation of railway lines***

The 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 mechanized substructure and track machinery, including the construction of drainage systems,
- disassembly of the traction network, including the removal of old foundations and the construction of a new traction network with the use of modern methods for positioning foundations by applying the piling method and using trains for stream replacement of the network,
- renovation or complete reconstruction of civil engineering facilities: culverts, bridges, viaducts,
- construction of power supply systems for railway lines,
- comprehensive modernisation of railway crossings (crossings of roads with railway lines),
- reconstruction of the railway traffic control system,
- preparation of construction sites,
- construction of complete buildings or their parts,
- execution of construction installations, civil engineering works for tracks and roads,
- construction of overhead and underground power distribution lines,
- construction of railway and tram electric traction network and hydraulic engineering,
- comprehensive engineering works.

Moreover, where necessary, we cooperate with specialized companies mainly in the area of tasks related to the protection of railway traffic and telecommunications.

Under the auxiliary activities, the Company manufactures various types of industrial devices used for modernising railway infrastructure, in particular, the following: 15 kV conventional and container switchgears, 3 kV, 1.5 kV, 1 kV and 0.8 kV DC switchgears, control system cabinets, local and remote control devices and isolating switches drives, steel structures for assembling substations and providing power supply, selected equipment of the traction network.

### **Construction of buildings**

Construction of buildings by the Trakcja Group includes the construction of the following:

- public utility buildings,
- industrial facilities.

### **Developer's business**

The scope of activities of PRK 7 Nieruchomości Sp. z o.o., which a company within the Trakcja Group, includes:

- construction,
- servicing of real estate on its own account,
- leasing of real estate on its own account.

PRK 7 Nieruchomości Sp. z o.o. is involved in the performance of the following developer's investments: development of apartment complexes and houses on land previously purchased from Trakcja S.A. The company implements development projects in cooperation with the General Contractor. This role was previously performed by Trakcja S.A.

**Road infrastructure construction**

Road infrastructure construction encompasses:

- roads – construction and reconstruction of motorways, roads, streets, squares and parking lots; services related with maintenance of roads in winter and summer,
- bridges – construction and reconstruction of bridges, viaducts and flyovers,
- tunnels – construction and reconstruction of tunnels,
- airports – construction and reconstruction of runways used for take-off and landing, parking areas for planes and special-purpose surfaces.

**Other areas of activity**

Other areas of activity encompass:

- construction of wharfs – construction and reconstruction of ports and harbours as well as other quay structures,
- engineering infrastructure – construction of waterways, sewage systems, water and water treatment installations; roads and streets lighting, and traffic lights installation and repair,
- construction of sports facilities,
- production of construction materials: asphalt concrete, bituminous emulsions, including polymer-modified bitumen, concrete, reinforced concrete products; extraction and processing of construction materials.

**1.7. Key contracts for construction services**

The most important contracts for construction services concluded by companies from the Trakcja Group in 1H 2013 are:

- On January 22, 2013 the Company's subsidiary, AB Kauno tiltai with its registered office in Kaunas, Lithuania, concluded a material contract with the Lithuanian Road Administration at the Ministry of Communication with its office in Vilnius, Lithuania. The total net value of the agreement as expressed in PLN, amounted to: PLN 112,535,273.30. On the basis of this contract AB Kauno tiltai was to perform construction works related to the reconstruction of road E85 (Vilnius-Kaunas-Klaipėda) of the trans-European network covering reconstruction of the road and improving the safety of traffic.
- On January 30, 2013 the Company concluded a material contract with its subsidiary, Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.. The works covered by the contract are related to the performance of an agreement concluded on 27 May 2011 between a consortium of companies with participation of the Company acting as the representative of the consortium an PKP PLK S.A., of which the Company informed in current report no. 35/2011. What is more, the conclusion of the contract is related to the withdrawal from the final contract concluded by the Company on 22 September 2011 with Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. with its registered office in Warsaw, of which the Company informed in current reports no. 49/2012 and 58/2012. The provisional total net value of the contract being the remuneration of PRKiI is: PLN 118,365,805.51.
- On February 6, 2013, Trakcja concluded with Łódzka Kolej Aglomeracyjna Sp. z o.o. with its registered office in Łódź a material contract for the design and construction of technical facilities in relation with the project performed by the ordering party under the name of: "Construction of a system of Łódź Agglomeration Railway". The total net value of the contract is: PLN 55,245,333.
- On March 25, 2013 a subsidiary of the Company, AB Kauno tiltai with its registered office in Kaunas, Lithuania concluded a material contract with the city of Vilnius, Lithuania. The total net value of the Contract as expressed in PLN is: 52,753,889.07. On the basis of the Contract, AB Kauno tiltai will perform construction works in the IXB transport corridor ( Žirnių street in Vilnius, Lithuania) and works related to the construction of a connection for the international airport of Vilnius.
- On April 2, 2013 the subsidiary of the Company, Przedsiębiorstwo Robót Kolejowych i inżynieryjnych S.A. - the Representative of the consortium, concluded a material contract with PKP Polskie Linie Kolejowe S.A.

The total net value of the Contract: PLN 88,858,500.00. The Contractor agrees to perform tasks under the Contract with respect to the development of design documentation and execution of construction activities for the project concerning comprehensive repair of railway infrastructure under the name: "Revival of 144 Fosowskie - Opole railway line.

- On April 10, 2013, the Company's subsidiaries, i.e. UAB "Palangos aplinkkelis", with its registered in Vilnius, the Republic of Lithuania, and UAB "Plėtros investicijos", with its registered office in Vilnius, the Republic of Lithuania entered into material contract for public and legal partnership (hereinafter referred to as with the Lithuanian Roads Authority by the Ministry of Communication, with its registered office in Vilnius, Lithuania, object of the Contract are: design and construction works of the building - an arterial road listed as Category 2 - the beltway of the city of Palanga (Lithuania) along with the buildings, traffic equipment and engineering networks, street lighting, traffic control and other buildings and equipment necessary for its operations. The total net value of the contract converted to PLN was: 121,532,320.00.
- On April 22, 2013, the subsidiary of the Company Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wrocław ("PRKiI") as the Leader entered into material contract with Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. in arrangement bankruptcy with its registered office in Warsaw (hereinafter: "PNI") on the basis of the PNI contracted the execution of the industry works associated with for construction works regarding basic lines within the section Wrocław – Grabiszyn – Skokowa and Żmigród – a border of Lower Silesian Voivodeship, under the project POLiŚ 7.1. – 4 "Modernisation of a railway line E 59 within the section Wrocław – Poznań, Phase II – section Wrocław – a border of Lower Silesian Voivodeship". Contract's net value: PLN 169,207,415.37.
- On June 11, 2013 the subsidiary of the Company - AB Kauno tiltai with its registered office in Kaunas, Lithuania entered into material agreements with the company Akcinė bendrovė „Lietuvos geležinkeliai“ with its registered office in Vilnius, Lithuania with the total net value as expressed PLN: PLN 361,330,331.24 net. The agreement with the highest value is the agreement concluded on 11 June 2013 by AB Kauno tiltai as the leader of consortium composed of: -AB Kauno tiltai with its registered office in Kaunas, Lithuania - the leader of consortium; - Uždaroji akcinė bendrovė „Mitnija“ with its registered office in Kaunas, Lithuania - the partner of consortium. The total net value of the Contract as expressed in PLN is: **268,458,971.59**. percentage of the value of the Agreement that falls on AB Kauno tiltai is 60% of the value of the Agreement. On the basis of the Agreement, the construction works on the reconstruction of the Marijampole-Šeštokai railway section (from 28+500km to the railway station in Šeštokai) (Lithuania) were commissioned.

## 1.8. Capital Group's strategy and development

The most important elements of the Trakcja Capital Group strategy are: maintaining the leading position in the sector of construction and installation services for the railway transport in Poland, reinforcing the position of the Group in the Polish road construction market, maintaining the market leader position in the road construction market in Lithuania, and diversification of revenue sources of the Group.

### ***Maintaining the leading position in the sector of construction and installation services for the railway transport in Poland***

The Group's strategy assumes expansion through organic growth in the sector. We will strive for a substantial increase in production capacity through increasing the headcount of specialized technical staff and boosting productivity through better organisation of works. Moreover, we are planning to broaden the scope of works performed with forces through participation of companies from the Group involved in road construction in works concerning the Polish railway and tramway networks. This will reinforce the Group's position within the consortia performing large contracts and improve the use of the capacities of these companies.

### ***Reinforcing the position of the Company in the Polish road construction market***

We are planning to develop in this sector through geographical diversification of revenues sources of the companies from the Group involved in road construction. Until the present, these companies have concentrated on local markets (Eastern Poland) and did not fully use their growth potential. Moreover, we are expecting to boost productivity through better organisation of works.

**Maintaining the market leader position in the road construction market in Lithuania**

The Group's strategy assumes expansion through organic growth in the sector. We will strive for a substantial increase in production capacity through selective increases in the headcount of specialised technical staff and boosting productivity through better organisation of works.

**Diversification of revenue sources**

After restructuring of the newly formed Group, we are planning to continue the diversification of the Group's revenues in order to lessen the dependence on key customers and maintain the dynamics of the Group's growth. We will achieve this by increasing revenues from sectors characterised by dynamic growth and obtaining more stable revenues.

In order to achieve this, we are planning to seek revenues from infrastructure maintenance and infrastructure operation concessions, both in Poland and in Lithuania. Moreover, we would like to become active in the Polish market of construction for the energy sector. Using the strong position of AB Kauno Tiltai in the Lithuanian road construction market, we are planning an expansion to other Baltic states.

**1.9. Information concerning Trakcja Group reorganization plans**

The Company's Management Board informed in the current report no. 63/2013 of July 25, 2013 about the planned reorganization within the Trakcja Group, which will comprise, amongst others, merging selected Trakcja Group companies.

Within the reorganization plan, the Management Board decided to undertake the following steps:

- increase of the share capital of the company Przedsiębiorstwo Drogowo - Mostowe „Białystok” S.A. (“PDM”) seated in Białystok through issuance of 53,000 new B series registered shares with the nominal value of PLN 1 each, addressed fully for the Company's subsidiary - Uždaroji Akcinė Bendrovė Taurakelis (“TAU”) within the scope of a private offer with the exclusion for subscription rights of existing shareholders;
- conclusion of a contract on sale of shares by the company and TAU, pursuant to which the Company will acquire all registered shares in the PDM share capital, which TAU will hold upon the conclusion of the contract on sale of shares, for a price not higher than PLN 6,752 thousand;
- conclusion of a contract on sale of shares by the Company and TAU, pursuant to which the Company will acquire all registered shares in the share capital of the company Przedsiębiorstwo Produkcyjno - Usługowe “Dalba” Sp. z o.o. seated in Białystok (“DAL”) held by TAU, for a price not higher than PLN 7,786 thousand;
- conclusion of a contract on sale of shares by the Company and AB Kauno Tiltai TUB Konsorciūmas Tiltra (“TUB”), pursuant to which the Company will acquire all registered shares in the share capital of the company Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. seated in Białystok (“P.E.U.I.M.”) held by TUB, for a price not higher than PLN 10,205 thousand;

It was determined that the total minimum price for purchasing PDM shares as well as P.E.U.I.M. and DAL shares will not be lower than PLN 21,000 thousand;

- settlements between the Company's subsidiaries, i.e. between AB Kauno Tiltai (“KAT”), TUB, and TAU, aiming at repayment of the loan liability within the Group by way of transfers of claims due to the loan, or the price for the shares in DAL, P.E.U.I.M. and PDM;
- merger of the Company with the following companies: Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. seated in Wrocław (“PRKiI”), as well as PDM, P.E.U.I.M. and DAL; (PRKiI, PDM, P.E.U.I.M. and DAL hereinafter collectively: “Overtaken Companies”);
- conclusion by the Company and KAT a contract on sale of fixed assets covering, amongst others, real properties which will be owned by the Company after the merger of the Company with Overtaken Companies.

The decision on the merger and reorganization was undertaken to simplify the organizational structure, to improve managing the Trakcja Group and eliminate a significant part of unnecessary processes simultaneously decreasing costs of activity. The companies merger will also bring financial savings in the administrative and organizational area, also as a result of a reduction of the number of management and supervisory authorities within the Trakcja Group. In the long-term, the goal of the merger is to improve the coordination of operational activities, unification of business processes, and increase of the transparency of the Trakcja Group's structure.

The merger of the Company and Overtaken Companies will occur through a transfer of the entire property of Overtaken Companies to the Company (overtaking company), i.e. through a merger by overtaking within the meaning of Article 492(1)(1) of the Commercial Companies Code ("KSH").

The merger plan with attachments will be published in the form of a current report immediately after its signing by Management Boards of the Company and Overtaken Companies.

## 2. CURRENT AND FORECASTED SITUATION OF TRAKCJA CAPITAL GROUP

### 2.1. Description of factors and events that had a significant impact on the financial results for the first half of 2013 years

#### 2.1.1. Overview of income statement

Consolidated Income Statement	01.01.2013 - 30.06.2013	01.01.2012 - 30.06.2012	Change	Change %
	<i>Unaudited</i>	<i>Modified</i>		
<b>Continued operations</b>				
Revenue on sale	555 848	582 760	(26 912)	-5%
Costs of the sale	(520 996)	(556 566)	35 570	-6%
<b>Gross profit (loss) on sale</b>	<b>34 852</b>	<b>26 194</b>	<b>8 658</b>	<b>33%</b>
Sales, marketing and distribution costs	(3 107)	(3 638)	531	-15%
Overheads	(23 621)	(27 351)	3 730	-14%
Other operating revenue	11 240	1 685	9 555	567%
Other operating costs	(6 229)	(4 377)	(1 852)	42%
Loss of control over subsidiaries	-	44 291	(44 291)	-100%
<b>Profit (loss) from operating activities</b>	<b>13 135</b>	<b>36 804</b>	<b>(23 669)</b>	<b>-64%</b>
Financial revenue	2 063	4 959	(2 896)	-58%
Financial costs	(11 324)	(22 050)	10 726	-49%
<b>Gross profit (loss)</b>	<b>3 874</b>	<b>19 713</b>	<b>(15 839)</b>	<b>-80%</b>
Income tax	(3 497)	(144)	(3 353)	2328%
<b>Net profit (loss) from continued operations</b>	<b>377</b>	<b>19 569</b>	<b>(19 192)</b>	<b>-98%</b>
<b>Discontinued operations</b>				
Net profit (loss) from discontinued operations	-	-	-	-
<b>Net profit for financial year</b>	<b>377</b>	<b>19 569</b>	<b>(19 192)</b>	<b>-98%</b>
Attributable to:				
<b>Shareholders of the parent company</b>	<b>435</b>	<b>20 436</b>	<b>(20 001)</b>	<b>-98%</b>
Non-controlling shareholders	(58)	(867)	809	-93%

Modified\*) Change in presentation of costs - further details in note 10.3 of the condensed consolidated financial statements

In the first half of the year 2013, the Trakcja Capital Group generated revenue in the amount of PLN 555,848 thousand, which is a decrease by 5 per cent in comparison with the analogous period of the preceding year. Prime costs of the sale in the period of 6 months in 2013 decreased by 6 per cent and amounted to PLN 520,996 thousand.

The gross profit on sale of the Group in the first half of the year 2013 reached PLN 34,852 thousand and was 33 per cent lower than the profit in the comparable period. Gross margin on sale in the discussed period was 6,3 per cent, whereas in the analogous period 2012 reached 4,5 per cent.

The sales, marketing and distribution costs amounted to PLN 3,107 thousand and were lower by 15 per cent in relation to the comparable period. The overheads amounted to PLN 23,621 thousand and increased by 14 per cent in comparison with the first half of the preceding year.

Other operating revenue for the period of 6 months in 2013 amounted to PLN 11,240 thousand and increased by PLN 9,555 thousand due to the recognition in the first half of 2013 years of income from redemption of liability of PLN 6,225 thousand (for details, see Note 6 of this report) and the fair value adjustment of investment property in the amount of PLN 3,478 thousand. Other operating costs amounted to PLN 6,229 thousand and were higher by PLN 1,852 thousand in relation to the costs of the first half of the preceding year.

Profit on operating activities was PLN 13,135 thousand and was lower by 64 per cent, i.e. by PLN 23,669 thousand in comparison with the analogous period in the preceding year, in which the profit amounted to PLN 36,804 thousand. On the operating profit in the first half of the year 2012 had an impact one - off event which was to recognize the

gain on the loss of control of the Group Lithold to PLN 44 291 thousand. Eliminating the impact of this event on the operating profit in the comparable period shows that the Group generated in the first half of 2013 year operating profit increased by PLN 20,622 thousand. Group in the first half of 2013 years generated savings in the cost of sales, cost of sales, marketing and distribution and general and administrative expenses, which enabled it to achieve a higher operating margin (2.4%) compared to the revised index for the previous year (indicator operating profit margin for the comparable year adjusted for one-off amounted to -1.3%).

In the first half of the year 2013 the Group reached financial revenue in the amount of PLN 2,063 thousand, which was lower by half in comparison with the analogous period of the preceding year. The financial costs in the discussed period decreased nearly two fold and reached PLN 11 324 thousand, mainly due to a lower level of interest on bonds resulting from the restructuring of the debt, which the Group has carried out in the first quarter of 2013 and due to the establishment of the first half of 2012 provisions for financial liabilities.

In the discussed period, the Group recorded gross profit in the amount of PLN 3,874 thousand, which was lower by 15,839 thousand, i.e. by 80 per cent in relation to the first half of the preceding year 2012. Elimination of impact a single event - the profit of loss of control of the Group Lithold with gross profit in the comparable period shows that the Group generated in the first half of 2013 years gross profit increased by PLN 28,452 thousand compared to gross profit in the comparable period of eliminated the effect of this event.

The income tax in the first half of the year 2013 was PLN 3,497 thousand and was higher in comparison with the analogous period in the preceding year by PLN 3,353 thousand.

Net profit of the Group for the first half of the year 2013 was PLN 377 thousand and was lower in relation to the result of the first half of the preceding year 2012.

In the first half of the year 2013, net profit margin reached the level of 0,1 per cent, while in the first half of the year 2012 reached 3,4 per cent.

### 2.1.2. Overview of balance sheet items

The following table presents main items of the consolidated balance sheet of the Trakcja Group as for June 30, 2013 in comparison with the balance as for December 31, 2012:

Assets	30.06.2013	31.12.2012	Change	Change %
	<i>Unaudited</i>	<i>Modified*</i>		
<b>Non-current assets</b>	<b>727 962</b>	<b>700 255</b>	<b>27 707</b>	<b>4%</b>
Tangible non-current assets	190 173	192 849	-2 676	-1%
Intangible assets	57 724	57 824	-100	0%
Goodwill from consolidation	384 356	374 969	9 387	3%
Investment properties	29 145	17 800	11 345	64%
Investments in other units	25	24	1	4%
Other financial assets	35 825	26 742	9 083	34%
Deferred tax assets	28 452	26 551	1 901	7%
Prepayments	2 262	3 496	-1 234	-35%
<b>Current assets</b>	<b>788 383</b>	<b>627 247</b>	<b>161 136</b>	<b>26%</b>
Inventory	123 869	93 866	30 003	32%
Trade and other receivables	439 104	245 759	193 345	79%
Other financial assets	16 433	26 422	-9 989	-38%
Cash and cash equivalents	53 767	121 193	-67 426	-56%
Prepayments	8 763	6 831	1 932	28%
Construction contracts	146 447	133 176	13 271	10%
<b>TOTAL ASSETS</b>	<b>1 516 345</b>	<b>1 327 502</b>	<b>188 843</b>	<b>14%</b>

Modified\*) Change in presentation of costs - further details in note 10.3 of the condensed consolidated financial statements

As for June 30, 2013, the balance sheet total of the Trakcja Group was PLN 1,516,345 thousand and was higher by PLN 188,843 thousand in comparison with the balance as at the end of 2012, which constitutes increase by 14 per cent.

Non-current assets increased by 4 per cent and amounted to PLN 727 962 thousand. The greatest increase of the non-current assets concerned the property investments, whose value increased by PLN 11,345 thousand, i.e. by 64 per cent in comparison with the balance as at the end of 2012. Furthermore, the level of other financial assets increased by 34 per cent and amounted to PLN 35,825 thousand. The greatest decreased of the non-current assets concerned prepayments, whose value decreased by 35 per cent and amounted to PLN 2 262 thousand.

As for June 30, 2013, the current assets reached PLN 788,383 thousand and increased by PLN 161,136 thousand, which constitutes increase by 26 per cent in comparison with the balance as for December 31, 2012. The said increase mainly results from the increase of value of trade receivables by the amount of PLN 193,345 thousand. The level of cash and cash equivalents decreased by PLN 67,426 thousand. The value of inventories also increased by PLN 30,003 thousand, i.e. 32 per cent in comparison with the balance as for December 31, 2012.

Liabilities	30.06.2013	31.12.2012	Change	Change %
	<i>Unaudited</i>	<i>Modified</i>		
<b>Equity (attributable to shareholders of the parent company)</b>	<b>607 308</b>	<b>492 519</b>	<b>114 789</b>	<b>23%</b>
Share capital	41 120	23 211	17 909	77%
Basic conditional capital	-	18 545	(18 545)	-100%
Due payments for basic capital (negative value)	-	(18 545)	18 545	-100%
Share premium account	310 102	231 813	78 289	34%
Revaluation reserve	8 158	2 396	5 762	240%
Other capital reserves	229 160	242 529	(13 369)	-6%
Retained earnings	435	(12 764)	13 199	-103%
Foreign exchange differences on translation of foreign operations	18 333	5 334	12 999	244%
<b>Capitals of the non-controlling shareholders</b>	<b>1 760</b>	<b>1 792</b>	<b>(32)</b>	<b>-2%</b>
<b>Total equity</b>	<b>609 068</b>	<b>494 311</b>	<b>114 757</b>	<b>23%</b>
<b>Total liabilities</b>	<b>907 277</b>	<b>833 191</b>	<b>74 086</b>	<b>9%</b>
<b>Non-current liabilities</b>	<b>150 132</b>	<b>154 377</b>	<b>(4 245)</b>	<b>-3%</b>
Interest-bearing bank loans and borrowings	52 688	97 911	(45 223)	-46%
Bonds	49 808	12 913	36 895	286%
Provisions	3 392	3 718	(326)	-9%
Liabilities due to employee benefits	9 933	9 552	381	4%
Deferred tax liabilities	33 625	30 283	3 342	11%
<b>Current liabilities</b>	<b>757 145</b>	<b>678 814</b>	<b>78 331</b>	<b>12%</b>
Interest-bearing bank loans and borrowings	223 343	38 373	184 970	482%
Bonds	240	147 761	(147 521)	-100%
Trade and other liabilities	352 089	333 361	18 728	6%
Provisions	6 258	9 838	(3 580)	-36%
Liabilities due to employee benefits	10 749	8 744	2 005	23%
Derivative financial instruments	2 775	2 657	118	4%
Income tax liabilities	156	59	97	164%
Other financial liabilities	9 630	-	9 630	-
Accruals	162	94	68	72%
Construction contracts	148 804	133 430	15 374	12%
Advances received towards flats	2 939	4 497	(1 558)	-35%
<b>Total Liabilities</b>	<b>1 516 345</b>	<b>1 327 502</b>	<b>188 844</b>	<b>14%</b>

*Modified\*) Change in accounting policy - further details in note 10.3 to the condensed consolidated financial statements*

In the first half of the year 2013 the value of equity increased by PLN 114,789 thousand in comparison with the balance as for December 31, 2012 and reached PLN 607,308 thousand. This increase was mainly due to an increase in the share premium account resulting from the conversion of bonds into shares and the share capital increase.

As for June 30, 2013, the non-current liabilities amounted to PLN 150,132 thousand and decreased by PLN 4,245 thousand in comparison with the balance as at the end of 2012. The said decrease was mainly due to the decrease of the long-term interest bearing credits and loans, whose value decreased by PLN 45,223 thousand and reached PLN 52,688 thousand. The bond increased by PLN 36,895 thousand.

As for June 30, 2013, the current liabilities reached the value of PLN 757,145 thousand and increased by PLN 78,331 thousand, i.e. by 12 per cent in comparison with the balance as at the end of the preceding year. The said decrease mainly results from the decrease in the balance of bond by PLN 147,521 thousand and amounted PLN 240 thousand, as a result of the restructuring of the Group's debt, as announced in detail in Note 32 to the condensed consolidated financial statements for the 6 months ended 30 June 2013. The Group recorded an increase in interest-bearing bank loans and borrowings by PLN 184,970 thousand to the level of PLN 223,343 thousand.



### 2.1.3. Overview of cash flow statement

The following table presents main items of the consolidated cash flow statement of the Trakcja Group for the periods ended on June 30, 2013 and June 30, 2012:

Consolidated cash flow statement	For the period 6 months ended	For the period 6 months ended	Change	Change %
	30.06.2013	30.06.2012		
	<i>Unaudited</i>	<i>Unaudited</i>		
<b>Cash at the beginning of the period</b>	121 193	222 562	(101 369)	-46%
Net cash flows from operating activities	(182 904)	(52 910)	(129 994)	246%
Net cash flows from investment activities	2 249	(51 707)	53 956	-104%
Net cash flows from financial activities	111 288	(44 990)	156 278	-347%
<b>Total net cash flows</b>	<b>(69 367)</b>	<b>(149 607)</b>	<b>80 240</b>	<b>-54%</b>
<b>Cash at the end of the period</b>	<b>51 826</b>	<b>72 955</b>	<b>(21 129)</b>	<b>-29%</b>

In the first half of the year 2013, the net cash flow balance due to operating activities was negative and amounted to PLN 182,904 thousand. The balance increased in relation to the analogous period of the preceding year by PLN 129,994 thousand. The net funds due to investment activities showed negative balance in the first half of the year 2012 in the amount of PLN 2,249 thousand, whereas in the comparable period in 2012 the negative balance of cash flows due to investment activities was PLN 51,707 thousand.

The net cash flow balance due to financial activities in the first half of the year 2013 was positive and amounted to PLN 111,288 thousand. The balance increased in comparison with the balance as at the end of the first half of the year 2012 by PLN 156,278 thousand. The said increase was caused by the increase in proceeds from borrowings of PLN 95,024 thousand and a decrease in repayment of credits and loans by PLN 68,564 thousand.

The Group commenced the year 2013 with funds in the amount of PLN 121,193 thousand and ended the first half of the year 2013 with cash balance in the amount of PLN 51,826 thousand. The total net cash flows in the discussed period were negative and amounted to PLN 69,367 thousand.

### 2.1.4. Overview of profitability ratios

Gross margin on sale increased by 1.8 pp in the first half of the year 2013 in relation to the analogous period of the preceding year and amounted to 6.3 per cent. The operating profit increased by depreciation and amortization amounted to PLN 24,666 thousand and decreased by PLN 25,659 thousand in comparison with the first half of the year 2012. EBITDA profit margin decreased by 4.2 pp and reached the level of 4.4 per cent. The operating profit margin decreased by 3.9 pp and reached the level of 2.4 per cent. The net profit margin in the discussed period reached 0.1 per cent and was lower by 3.3 pp than the margin in the comparable period. During the first half of the year 2012 the Group recognized an impact of one-off event concerning the profit on loss of control over Lithold Group in the amount of 44,291 thousand. The event had an essential impact on the level of profitability ratios in the first half of the year 2012. After eliminating the effect of the event the profitability ratios for the first half of the year 2012 would achieve the lower level than profitability ratios for the first half of the year 2013.

The return on equity - ROE decreased by 7.8 pp in relation to the comparable period and amounted to 0.2 per cent. The return on assets - ROA amounted to 0.1 percent and was lower by 2.4 pp than the analogous return in the preceding year.

Profitability ratios	For the period 6 months ended	For the period 6 months ended	Change	Change %
	30.06.2013	30.06.2012		
Gross sales profit margin	6,3%	4,5%	1,8%	39,5%
EBITDA	24 666	50 325	-25 659	-51,0%
EBITDA profit margin	4,4%	8,6%	-4,2%	-48,6%
Operating profit margin	2,4%	6,3%	-3,9%	-61,8%
Net profit margin	0,1%	3,4%	-3,3%	-98,0%
Return on equity (ROE)	0,2%	8,0%	-7,8%	-98,0%
Annualised return on assets (ROA)	0,1%	2,5%	-2,4%	-93,6%

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

Gross profit margin on sales = gross profit on sales / revenue on sales

EBITDA = operating profit + depreciation and amortization

EBITDA profit margin = (operating profit + depreciation and amortization) / revenue on sales

Operating profit margin = operating profit / revenue on sales

Net profit margin = net profit / revenue on sales

Annualized return on equity (ROE) = two fold net profit attributable to shareholders of a parent company / average equity attributable to shareholders of a parent company in the period of six months

Annualized return on assets (ROA) = two fold net profit attributable to shareholders of a parent company / average assets in the period of six months

## 2.2. Evaluation of financial resources management

As at the end of the first half of the year 2013 the Trakcja Group had funds in the amount of PLN 53,767 thousand with total debt due to credits, loans and leasing in the amount of PLN 276,031 thousand. The Group maintains a safe level of both external financing and financial liquidity.

### 2.2.1 Liquidity ratios

Working capital in the Trakcja Group as for June 30, 2013 amounted to PLN 31,238 thousand and was higher by PLN 82,805 thousand than the working capital as at the end of the first half of 2012..

The current liquidity ratio as at the end of the first half of 2013 was 1,04 and increased by 0.12 PP in relation to the analogous period of the preceding year. The quick liquidity ratio was 0.67 and increased by 0.09 PP in comparison with the ratio as at the end of the first half of 2012. The cash liquidity ratio informs that the Group would be able to immediately repay 7 per cent of its current liabilities.

Liquidity ratios	30.06.2013	31.12.2012	Change	Change %
Working capital	31 238	-51 567	82 805	-161%
Current liquidity ratios	1,04	0,92	0,12	12,69%
Quick liquidity ratios	0,67	0,58	0,09	16,08%
Cash liquidity ratio	0,07	0,18	-0,11	-60,22%

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

Working capital = current assets - current liabilities

Current liquidity ratio = current assets / current liabilities

Quick liquidity ratio = (current assets - inventory - prepaid expenses - construction contracts from assets) / current liabilities

Cash liquidity ratio = (cash and cash equivalents + derivatives from assets and liabilities) / current liabilities

### 2.2.2 Financing structure ratios

The Group monitors the capital structure using the financing structure indexes. Indexes analysed by the Group, presented in the below table, allow maintaining both good credit rating and confirm the capital structure support for the operating activities of the Group.

All ratios of the financing structure improved in the first half of the year 2013 in comparison with the ratios as at the end of the preceding year.

Equity to assets ratio increased in the period of 6 months ended on June 30, 2013 to the level of 0.40 in comparison with 0.37 as at the end of the preceding year. The value of the equity to non-current assets ratio increased from 0.70 as at the end of 2012 to 0.83 as for June 30, 2013. In the first half of the year 2013 the total debt ratio decreased from 0.63 as at the end of 2012 to 0.60 as at the end of the first half of 2013. The foregoing means that the company's assets are financed by third party financing sources - liabilities - in 60 per cent. The debt to equity ratio also decreased from 1.70 as at the end of 2012 to 1.5 in the first half of the year 2013.

Financing structure ratios	30.06.2013	31.12.2012	Change
Equity to assets ratio	0,40	0,37	0,03 pp
Equity to non-current assets ratio	0,83	0,70	0,13 pp
Total debt ratio	0,60	0,63	-0,03 pp
Debt to equity ratio	1,50	1,70	-0,20 pp

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

Equity to assets ratio = equity attributable to shareholders of a parent company / total assets

Equity to non-current assets ratio = equity attributable to shareholders of a parent company / non-current assets

Total debt ratio = (total assets - equity attributable to shareholders of a parent company) / total assets

Debt to equity ratio = (total assets - equity attributable to shareholders of a parent company) / equity attributable to shareholders of a parent company

### 2.2.3 Bank credits and loans

Credits and loans taken by the Company are presented in the below table:

Company name	Lender	Type of loan \ credit	Amount according to agreement in a particular currency (in k)	Currency of the agreement	Final repayment date	Main rules for calculating interest	Outstanding amount (in K PLN)
Trakcja S.A.	Alior Bank S.A.	overdraft	60 000	PLN	2014-03-31	WIBOR O/N + margin	60 273
Trakcja S.A.	Alior Bank S.A.	overdraft	15 000	PLN	2014-03-31	WIBOR 1M + margin	15 070
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Bank Zachodni WBK S.A.	investment	18 000	PLN	2017-03-31	WIBOR 1M + margin	13 724
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Bank Zachodni WBK S.A.	investment	7 200	PLN	2015-09-30	WIBOR 1M + margin	3 069
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Bank Zachodni WBK S.A.	overdraft	20 000	PLN	2014-09-30	WIBOR 1M + margin	11 712
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Bank Zachodni WBK S.A.	overdraft	23 000	PLN	2014-06-30	WIBOR 1M + margin	13 724
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	Alior Bank S.A.	working-capital	20 000	PLN	2014-03-31	WIBOR O/N + margin	20 088
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	BRE Bank S.A.	overdraft	10 000	PLN	2014-02-05	WIBOR O/N + margin	4 111
Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.	BRE Bank S.A.	overdraft	12 000	PLN	2014-07-31	WIBOR 1M + margin	9 840
PRK 7 Nieruchomości Sp. z o.o.	BOŚ Bank S.A.	investment	16 995	PLN	2014-08-31	WIBOR 1M + margin	4 405
AB Kauno Tiltai	Nordea Dnb	working-capital	6 669	EUR	2015-04-01	EURIBOR 3M + margin	12 600
AB Kauno Tiltai	Nordea Dnb	working-capital	2 285	EUR	2015-04-01	EURIBOR 3M + margin	6 128
AB Kauno Tiltai	Nordea Dnb	working-capital	18 000	EUR	2014-01-31	EURIBOR 3M + margin	68 079
AB Kauno Tiltai	Nordea Dnb	working-capital	5 685	EUR	2016-04-01	EURIBOR 3M + margin	17 206
Bahn Technik Wrocław Sp. z o.o.	L.Weiss International	loan from other entities	191	EUR	2014-07-31	fixed interest rate	738
Bahn Technik Wrocław Sp. z o.o.	Bank Zachodni WBK S.A.	overdraft	320	EUR	2014-05-29	fixed interest rate	394
<b>Total</b>							<b>261 161</b>

The interest rate of the obtained credits depends on WIBOR / EURIBOR and bank margin. Bank margins depend on a bank and agreed credit repayment.

### 2.2.4 Hedging transactions

#### Cash flow hedging instruments

On June 5, 2013, subsidiary of Trakcja, i.e. UAB Palangos aplinkkelis concluded an interest rate swap (IRS) to secure future cash flows due to the planned interest rate payments on the term credit. Pursuant to the IRS agreement, the

company is a payee of fixed interest rate amounts whereas the bank is the payee of variable interest rate amounts. The date of expiry of the hedge connection was set at May 31, 2028.

As at June 30, 2013, the effect of the measurement of the above derivative on long-term liabilities amounted to PLN 686 thousand and the effect on other comprehensive income was negative and amounted to PLN 662 thousand.

In the first half of the year 2013, the Group assessed the effectiveness of hedging of the concluded IRS transaction. During the reporting period, hedging interest rate was highly effective, therefore no ineffective part due to IRS measurement was identified and recognised in the profit and loss statement.

#### *Other derivatives*

During the reporting period, the Group only concluded USD forward contracts and interest rate swaps (IRS). The Group did not conclude derivative contracts for speculative purposes. The Group did not apply hedge accounting during the reporting periods covered by the financial statements in regard to the aforementioned forward contracts and IRS, therefore these were measured at fair value through the profit and loss statement. In the first half of the year 2013, the measurement of financial instruments presented in the profit and loss statement amounted to PLN -39 thousand, whereas in the first half of the year 2012 the effect was zero.

### **2.3. The position of the Management Board as regards previously published forecasts of the financial results of the Trakcja Capital Group**

The Trakcja Capital Group did not publish any financial forecasts for 2013.

### **2.4. Explanation of the differences between the data published in this semi-annual financial report and estimated consolidated financial results of the Trakcja Group and the estimated separate financial results of the Trakcja Company for the first half of the year 2013 (published in the current report 67/2013 of August 1, 2013)**

The financial results of the Trakcja Group and the financial results of the Trakcja Company, published on August 1, 2013 in the current report 67/2013 did not change, and simultaneously they constitute the final financial results for the first half of the year 2013.

### **2.5. Events after the balance sheet date**

After the balance sheet date until the date of preparing this Business Report of the Issuer 's Capital Group, i.e. August 30, 2013, the following material events occurred:

- On July 25, 2013, the Company, operating as the leader of the consortium "Konsorcjum Trakcja Polska" concluded with PKP Polskie Linie Kolejowe S.A. seated in Warsaw an annex to the agreement concluded on 31 May 2010 by the consortium with the contracting authority for construction works in regard to complex modernization of the station and the routes within the area of LCS Działdowo (local steering centre), within the scope of the POLiŚ 7.1-41 project entitled: "Modernization of the E 65/C-E 65 railway line at the section Warsaw – Gdynia – LCS Działdowo area". Pursuant to the annex, material conditions of the agreement changed in such manner, so that the date of completion of the works was agreed as 40 months from the date of commencement of the works pursuant to the conditions of the agreement, and the date of preparation and submission of the as-built documentation and conducting the acceptance procedure was set at 41 months from the date of commencement of the works pursuant to the conditions of the agreement.
- On July 30, 2013, a material contract was concluded between PKP Polskie Linie Kolejowe S.A. and the Company's subsidiary i.e. Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. for works connected with the reconstruction of the Strzałki station, executed within the task entitled "Modernization of the railway line no. 4 Main Railway Trunk Line". The total net value of the contract is PLN 59,760,708.61.

**Other important events:**

- On July 4, 2013, the Company's Management Board obtained information that on May 10, 2013 a material contract was concluded between AB SEB Bank seated in Vilnius, Lithuania, and the Company's subsidiary i.e. UAB Palangos aplinkkelis seated in Vilnius, Lithuania, the subject of which is granting a credit by the bank for the borrower in the amount equivalent to PLN 35,204,450.00 with a repayment date set at May 31, 2028.
- On July 25, 2013, the Company's Supervisory Board undertook resolutions concerning reorganization within the Company's group. More details concerning this reorganization are presented in note no. 40.
- On July 31, 2013, the Company received a notification from Pioneer Pekao Investment Management S.A. ("PPIM") about the reduction of the total interest to 11.00 % of the total number of votes at the Company's General Meeting in the scope of financial instruments included in the composition of portfolios managed within the scope of PPIM's provision of services in the area of managing the portfolio of financial instruments, as a result of the sale of shares conducted on July 24, 2013.
- On August 1, 2013, pursuant to a resolution, the Management Board made a decision on an earlier submission of estimate financial data for the first half of the year 2013 in connection with the need to disclose to the banks, with which the Company and Group companies have agreements concluded for bank products, and to the Company's bondholders, the Group's estimates of consolidated financial results and estimates of separate financial results of the company Trakcja S.A. for the first half of the year 2013, to accelerate obtaining relevant consents to conduct the restructuring.
- On August 8, 2013, the Company received a decision of the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Division of the National Court Register, dated July 18, 2013, concerning, amongst others, registration of the change of the Issuer's status and removal of the nominal value of the conditional increase of the share capital.
- On August 9, 2013, the Company received a notification from Pioneer Pekao Investment Management S.A. about the reduction of the total interest to 8.52 % of the total number of votes at the Company's General Meeting in the scope of financial instruments included in portfolios managed within the scope of PPIM's provision of services in the area of managing the portfolio of financial instruments, as a result of the sale of shares conducted on August 2, 2013.

**2.6. Description of factors significant for the Capital Group development**

Key factors, which in the opinion of the Management Board have or will have in the nearest future impact on the Group's activities, have been presented below. The information on the significant proceedings and disputes against the companies of the Group as well as penalties is contained in point 4.4 of this report.

The most important factors significantly affecting the financial performance of our Capital Group include the following:

- The ability to win new construction contracts, which on account of the profile of our Group's activities is determined by the level of expenditures on rail and tram infrastructure in Poland.
- The accuracy of estimating the costs of implemented projects as it exerts direct impact on decisions regarding the strategy of participating in tenders, the valuation of contracts for tenders and as a result the margins generated on the contracts. The accuracy of estimating cost budgets for contracts is related, in turn, to the methodological and external factors, such as changes in prices of materials and services rendered by subcontractors.
- The fluctuations of foreign currency exchange rates, in particular, the rate of Polish Zloty in relation to Euro. Our Group follows the hedging policy against changes in the foreign exchange rates and enters into currency forward or futures contracts. Our Group could not, however, apply the hedge accounting, because of the postponements to the schedules of construction works and the delays in payments made by customers. Taking the foregoing into account, the fluctuations on the currency market together with the delays in the payments made by

customers in Euro may have either a negative or positive effect charged directly to the financial profit or loss of our Capital Group.

- The monetary policy of the Central Bank translates into changes in interest rates of credits. For the purpose of financing the planned acquisitions, our Group may apply for bank loans and therefore it may incur financial expenses determined by the level of interest rates.
- The timeliness in repayment of liabilities by our customers. A failure to do so by our customers may lead to the deterioration in our financial liquidity.
- Potential acquisitions of business entities may have both positive effects on and threats to the financial profit or loss of our Capital Group.

Moreover, in the future, the financial performance of the Group may be affected by changes in the legal regulations designating the scope of the Group's activities, including tax regulations and any provisions related to other encumbrances of a public and legal nature, and also any regulations referring to the following:

- the procedure for awarding public procurements, in particular, the amendment to the *Act on the Public Procurement Law*,
- the public and private partnership, in particular, the Act of 28 July 2005 *on public and private partnership* (Journal of Laws of 6 September 2005),
- the financing of railway infrastructure,
- the environmental protection within the scope of implementation of individual projects, in particular, the Act on the Environmental Protection Law,
- the renewable energy, in particular, the Act on the Energy Law of 10 April 1997 *Law on Energy* (Journal of Laws 06.89.625)
- the developer activity PRK 7 Nieruchomości Sp. z o.o., regulations with respect to property dealing, in particular the Civil Code, Act of 21 August 1997 *on real property management* (Journal of Laws 04.261.263), Act on 24 March 1920 *on purchasing real property by foreigners* (Journal of Laws 04.167.758), Act on 24 June 1994 *on premises ownership* (Journal of Laws 00.80.903) and regulations connected with spatial development and construction.

## 2.7. Risk Factors

The factors that may significantly deteriorate the financial standing of our Group within at least next half of the year are the following:

- Risk of growing competition,
- Risk of changes in the strategy of the Polish and Lithuanian authorities with regard to the infrastructure modernisation over the next few years.
- Risk of being dependant on key customers,
- Risk of potential loss of subcontractors and potential rise in prices of services rendered by subcontractors,
- Risk associated with the lack of qualified employees,
- Currency risk,
- Risk associated with the volatility of prices for materials,
- Risk associated with the joint and several liability of members of construction consortiums and with the liability for subcontractors,
- Risk related to any potential penalties for failure to complete contracts,

- Risk of underestimating the costs of projects,
- Risk related to performance of construction contracts,
- Risk associated with the conditions and procedures for awarding tenders,
- Risk of growing portfolio of overdue receivables,
- Risk related to financial agreements,
- Liquidity risk,
- Risk related to strategy implementation.

The remaining factors which may cause fluctuations in the price of shares in Trakcja S.A., other than those referred to above, are:

- Change in the evaluation of the credibility of the Trakcja Group,
- Change in the debt of the Trakcja Group,
- Sale or acquisition of assets by the Trakcja Group,
- Material changes in the ownership structure of the Trakcja Group,
- Changes introduced by the capital market analysts to their forecasts and recommendations regarding the Trakcja Company, its competitors, partners and sectors of the economy in which the Group is active.

### 3. INFORMATION ABOUT SHARE AND SHAREHOLDERS

#### 3.1. Shareholding

According to the knowledge of the Issuer of the Management Board, the number of Shareholders possessing directly or by the agency of subsidiaries at least 5 per cent of the general votes at the General Shareholders' Meeting as for the day of publication of the Report is the following:

Shareholders	Number of shares	% in the share capital	Number of votes	% in the votes at GSM
COMSA S.A.	118 418 237	28,80%	118 418 237	28,80%
ING	81 321 651	19,78%	81 321 651	19,78%
Pioneer Pekao Investment Management S.A.	57 304 712	13,94%	57 304 712	13,94%
UAB "NDX energija"	30 409 825	7,40%	30 409 825	7,40%
Pozostali akcjonariusze	146 024 045	30,08%	146 024 045	30,08%
<b>Total</b>	<b>411 196 384</b>	<b>100,00%</b>	<b>411 196 384</b>	<b>100,00%</b>

From the date of publication of the last quarterly report, i.e. 15 May 2013, no changes in the ownership structure of the Issuer's qualifying holdings occurred.

On July 31, 2013 the Company received from Pioneer Pekao Investment Management S.A. ("PPIM") a notification concerning a decrease in the total participation to the level of 11.00 per cent of the total number of votes at a General Meeting of the Company with regard to financial instruments included in the financial instruments portfolios managed by PPIM as part of its services. Subsequently on August 9, 2013 the Company was informed that as a result of sale of shares, the 35,022,626 shares in the Company included in the portfolios managed by PPIM as part of their financial instruments portfolios management services now constitute 8.52% of the share capital of the Company.

### 3.2. Shares of Trakcja S.A. held by managing and supervising persons

As for the date of publication the report, the balance of the Issuer's shares held by the managing and supervising persons was the following:

First name and surname	Function	Number of shares	% in the shareholding structure
Maciej Radziwiłł	Chairman of the Supervisory Board	280	0,000%
Roman Przybył	President of the Management Board	10 000	0,002%
Marita Szustak	Vice President of the Management Board	500 000	0,122%
Nerijus Eidukevičius	Vice President of the Management Board	3 007 751	0,731%
Tadeusz Kałdonek	Vice President of the Management Board	2 550 960	0,620%

From the date of publication of the last quarterly report, i.e. from 15 May 2013, no changes occurred in the number of the Company's shares held by its managing and supervising persons.

## 4. TRANSACTIONS WITH AFFILIATED PARTIES

Information on the Group's transactions with the affiliated entities have been presented in Note 47 to the enclosed condensed consolidated report.

## 5. INFORMATION ON THE LOAN OR CREDIT GUARANTEE OR THE GUARANTEE BY THE ISSUER OR ITS SUBSIDIARY

Information on the credit or loan guarantee by the issuer or its subsidiary is presented in the below table.

Name of entity to whom the guarantees are granted	Total amount of credits which is covered by guarantees in whole or in part (in thousand PLN)	Period for which the guarantee was granted	Nature of relationships between Trakcja S.A. and the entity taking out credit or loan
PRKil S.A.	40 000	31-03-2015	parent company
PRKil S.A.	27 000	31-03-2020	parent company
PRKil S.A.	12 000	31-03-2016	parent company
Trakcja S.A.	120 000	31-03-2015	subsidiary
Trakcja S.A.	30 000	31-03-2015	subsidiary

## 6. IMPORTANT LITIGATE CASES AND DISPUTES

From January 1 to June 30, 2013, the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authorities, whose value, individual or in total, exceeded 10 per cent of the equity of Trakcja S.A., except for the proceedings specified below.

From January 1 to June 30, 2013, the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authorities, whose value, individual or in total, exceeded 10 per cent of the equity of Trakcja S.A., except for the proceedings specified below.

Case of shareholder vs. Trakcja S.A.:

In the current report no. 1/2013 of January 3, 2013, the Company's Management Board notified about becoming informed about submission to the registry office of the Regional Court in Warsaw, on December 19, 2012, of a lawsuit by a shareholder of Trakcja S.A. – a natural person – against the Company, concerning determination of invalidity of resolutions undertaken on December 12, 2012 at the Extraordinary Shareholders Meeting i.e.: (i) resolution no. 4 on the issuance of bonds exchangeable to H series shares, and (ii) resolution no. 5 on the conditional



increase of the share capital, depriving existing shareholders of the subscription rights, and amendment of the Company's Statute (Resolution) based on Article 425 of the Commercial Companies Code, or revocation of the Resolutions based on Article 422 of the Commercial Companies Code. The Company submitted a reply to the suit delivered on February 15, 2013 concerning the above. In the Company's opinion, the charges raised in the suit are not justified.

Moreover, the Company Trakcja S.A. submitted a response to the plaintiff's reply delivered on August 8, 2013. The date of the sitting of the Court in the discussed case was set at February 4, 2014.

#### *Conclusion of an agreement between PNI and PRKiI*

In regard to the report no. 34/2013 of March 28, 2013 on imposing a contractual penalty, the company Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. seated in Wrocław ("PRKiI"), on April 22, 2013 concluded an agreement with the company Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. under arrangement bankruptcy seated in Warsaw (hereinafter: "PNI"), pursuant to which the parties terminated the executive agreement concluded between PRKiI (as the Partner) and PNI (as the Leader) on October 25, 2011 in connection with the conclusion by the consortium, consisting of: PNI, PKP Energetyka Spółka Akcyjna seated in Warsaw, PRKiI, and Dolnośląskie Przedsiębiorstwo Napraw Infrastruktury Komunikacyjnej Spółka z o.o. seated in Wrocław, with PKP Polskie Linie Kolejowe S. A. seated in Warsaw at ul. Targowa 74 ("Contracting Authority"), of the Contract No. 90/116/0006/11/Z/I for Basic line construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of the Dolnośląskie Voivodeship within the scope of the project POLiŚ 7.1. – 4 "Modernization of the E 59 railway line at the section Wrocław – Poznań, Stage II – section Wrocław – border of the Dolnośląskie Voivodeship", as notified by the Company in the current report no. 34/2011 of May 25, 2011.

Pursuant to the aforementioned agreement, the parties declared and confirmed that they have no mutual claims on the account of contractual penalties and interest thereon, and if such claims would arise before the date of the aforementioned agreement the parties waive the same, unless otherwise expressly provided in the agreement.

The parties declared that contractual penalties accrued to date are deemed non-existent save for notified PRKiI claims within the scope of the PNI bankruptcy proceedings, whereas PNI questions the existence of these contractual penalties. Waiver of claims, including contractual penalties, does not concern any PRKiI claims, which occurred before the date of announcing the bankruptcy of PNI and included in the composition by legal force, and indicated in the PRKiI claims notification.

#### *Conclusion of an agreement between PNI and Trakcja*

On 22 April 2013, an agreement was concluded between PNI Sp. z o.o. and Trakcja S.A. concerning cooperation pursuant to the contract entitled Performance of construction works within modernization of the railway line no 9 at the section from 236,920 km to 287,700 km, included in the Central Steering Area seated in Malbork, within the scope of the Project POLiŚ 7.1-1.3 "Modernization of the E65/C-E 65 Railway Line at the section Warsaw-Gdynia, area LCS Iława and LCS Malbork".

Pursuant to the aforementioned agreement, the parties offset their mutual claims, and as a result thereof Trakcja S.A. undertook to pay to PNI Sp. z o.o. the amount of PLN 12,063,910.94 gross. The payment was made within the deadline.

Pursuant to section 1 (2), the payment by Trakcja S.A. of the aforementioned amount within the above deadline and execution of liabilities described in section 2 of this agreement (releasing PNI from penalties/damages occurring in connection with non-performance/improper performance of the contract, up to the amount of PLN 1 million, overtaking the rights due to the warranty and quality guarantee and good performance, releasing PNI from incurring the costs during the extended contract term) exhausts all claims of PNI due to the execution of the consortium contract and joint execution of the order by the Parties. In addition PNI waived execution of further claims towards Trakcja on the condition of the payment of the aforementioned amount.

The conclusion of the agreement results in the expiry of existing and future liabilities between the Parties, which occur or may occur due to, or in connection with, the executive agreement or the consortium agreement, and joint performance of the order. The parties hereby additionally waive any claims covered by this settlement, to which they are entitled on the basis on, or in connection with, the conclusion, performance, or termination of the executive agreement, the consortium agreement, and joint execution of the order, as well as any claims that may occur in the future due to the above.

Moreover, PNI stated the liability accrued towards Trakcja in the amount of PLN 60 million as non-existent, pursuant to the accounting note no. 0018/1C/670132/01/03/2013 of March 29, 2013.

*Information about submission of a request for mediation between Trakcja S.A. and PKP PLK S.A.*

On June 20, 2013, the consortium of contractors, which are jointly performing, for PKP PLK S.A., the contract of May 31, 2010 no. 90/120/084/00/11000838/10/I/I for the execution of construction works within the complex modernization of the station and the routes within the LCS Działdowo area within the Project POLiŚ 7.1.-41 "Modernization of the E-65/C-E 65 railway line at the section Warsaw – Gdynia – LCS Działdowo area", pursuant to Article 184 in connection with Article 185(1) of the Civil Procedure Code, summoned PKP PLK S.A. to conclude a settlement in connection with the payment to the consortium of PLN 95,297,116.95 as a contractual penalty due in connection with the contracting authority's failure to meet the contractual date for delivering the construction site – pursuant to item (b) of Section 2.1 of the contract terms in connection with "Attachment No. 2 to ToR – Attachment to the Bid" (constituting an integral part thereof in line with § 1(5) of the agreement), along with statutory interest, as notified by the company in the current report 61/2013 of June 21, 2013. In addition, on June 21, 2013 Trakcja issued a debit note no. 51/2013 for PKP PLK S.A. for PLN 95,297,116.95 as a contractual penalty as indicated above. The Management Board of Trakcja decided not to recognise the above event in the Company's books due to applying prudent approach, because it is not possible to estimate the probability of recovery of the receivable and the level of reimbursement from PKP in this respect.

*Warsaw, August 30, 2013*

*The Management Board:*

Roman Przybył

President of the Board

Marita Szustak

Vice – president of the Board

Nerijus Eidukevičius

Vice – president of the Board

Tadeusz Kałdonek

Vice – president of the Board

**DECLARATIONS OF THE MANAGEMENT BOARD OF TRAKCJA S.A.**

Pursuant to § 83, sec. 5 and § 90 sec. 1 points 4 and 5 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information to be published by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent.,

we declare that:

1) according to our best knowledge, the interim condensed consolidated financial statement for the period of 6 months ended on June 30, 2013 and comparable data and interim condensed financial statement for the period of 6 months ended on June 30, 2013 and comparable data were prepared in accordance with the binding accounting principles and reflect in a true, reliable and clear manner the property and financial situation as well as profit and loss of the Capital Group and the Company Trakcja respectively, and the business report of the Trakcja Capital Group contains true information on the development and achievements as well as situation of the Company and Capital Group, including description of the basic risks and threats;

2) the entity entitled to carry out an audit of the financial statements, examining the interim condensed financial statement and interim condensed consolidated financial statement has been chosen in accordance with the provisions of the law, and that this entity as well as certified auditors responsible for the said audits satisfied the requirements for making unbiased and independent audit reports in compliance with the binding provisions and professional standards.

*Warsaw, August 30, 2013*

*The Management Board:*

Roman Przybył

President of the Board

Marita Szustak

Vice – president of the Board

Nerijus Eidukevičius

Vice – president of the Board

Tadeusz Kałdonek

Vice – president of the Board

**THE TRAKCJA GROUP**  
**where the holding company is**  
**Trakcja S.A.**  
**ul. Złota 59**  
**00-120 Warszawa**

**Auditor's Review Report**  
**on the condensed consolidated financial statements prepared in accordance with**  
**International Financial Reporting Standards**  
**for the period from 1 January to 30 June 2013**

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

# **Independent Auditor's Review Report on the condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013**

for the Shareholders of Trakcja S.A.

We have reviewed the accompanying condensed consolidated financial statements of the Trakcja Group, where the holding company is Trakcja S.A. (hereinafter referred to as "the Holding Company") with its registered office in Warsaw, ul. Złota 59, consisting of:

- the consolidated profit and loss account for the period from 1 January 2013 to 30 June 2013, showing a net profit of PLN **377** thousand;
- the consolidated statement of comprehensive income for the period from 1 January 2013 to 30 June 2013, showing total comprehensive income of PLN **18 502** thousand;
- the consolidated balance sheet prepared as at 30 June 2013, showing total assets and liabilities of PLN **1 516 345** thousand;
- the consolidated cash flow statement for the period from 1 January 2013 to 30 June 2013, showing a net cash decrease of PLN **69 367** thousand;
- the statement of changes in consolidated shareholders' equity for the period from 1 January 2013 to 30 June 2013, showing an increase in shareholders' equity of PLN **114 757** thousand;
- condensed notes to the financial statements.

The Holding Company's Management Board is responsible for the preparation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting", which has been approved by the European Union, as well as with other binding regulations.

Our responsibility was to perform a review of these financial statements.

We performed the review in accordance with the provisions of the professional auditing standards issued by the Polish National Chamber of Certified Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the financial statements are free of material misstatements.

We conducted the review mainly by analyzing the data presented in the financial statements, examining the consolidation documentation and using information provided by the management and employees in charge of the Holding Company's finances and accounting.

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

The scope and methodology of a review of condensed consolidated financial statements differ significantly from that of an audit based on which an opinion is issued on the truth and fairness of annual financial statements. Accordingly, we are unable to express such an opinion on the accompanying financial statements.

Based on our review nothing has come to our attention that would prevent us from finding that the condensed consolidated financial statements of the Trakcja Group have been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting", which has been approved by the European Union.

Warsaw, 30 August 2013

**BDO Sp. z o.o.**  
**ul. Postępu 12**  
**02-676 Warszawa**  
**Authorized Audit Company No.3355**

**Auditor in charge:**

**On behalf of BDO Sp. z o.o.:**

**Krzysztof Maksymik**  
Certified Auditor No. 11380

**Anna Bernaziuk, PhD**  
Management Board Member  
Certified Auditor No. 173

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

**Trakcja S.A.  
ul. Złota 59  
00-120 Warszawa**

**Auditor's Review Report  
on the condensed financial statements prepared in accordance with  
International Financial Reporting Standards  
for the period from 1 January to 30 June 2013**

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

# **Independent Auditor's Review Report on the condensed financial statements for the period from 1 January 2013 to 30 June 2013**

for the Shareholders of Trakcja S.A.

We have reviewed the accompanying condensed financial statements of Trakcja S.A. with its registered office in Warsaw, ul. Złota 59 (hereinafter referred to as "the Company"), consisting of:

- the profit and loss account for the period from 1 January 2013 to 30 June 2013, showing a net profit of PLN **1 895** thousand;
- the statement of comprehensive income for the period from 1 January 2013 to 30 June 2013, showing total comprehensive income of PLN **8 936** thousand;
- the balance sheet prepared as at 30 June 2013, showing total assets and liabilities of PLN **781 807** thousand;
- the cash flow statement for the period from 1 January 2013 to 30 June 2013, showing a net cash decrease of PLN **23 491** thousand;
- the statement of changes in shareholders' equity for the period from 1 January 2013 to 30 June 2013, showing an increase in shareholders' equity of PLN **103 873** thousand;
- condensed notes to the financial statements.

The Company's Management Board is responsible for the preparation of these condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting", which has been approved by the European Union, as well as with other binding regulations.

Our responsibility was to perform a review of these financial statements.

We performed the review in accordance with the provisions of the professional auditing standards issued by the Polish National Chamber of Certified Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the financial statements are free of material misstatements.

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



We conducted the review mainly by analyzing the data presented in the financial statements, examining the books of account and using information provided by the management and employees in charge of the Company's finances and accounting.

The scope and methodology of a review of condensed financial statements differ significantly from that of an audit based on which an opinion is issued on the truth and fairness of annual financial statements. Accordingly, we are unable to express such an opinion on the accompanying financial statements.

Based on our review nothing has come to our attention that would prevent us from finding that the condensed financial statements have been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting", which has been approved by the European Union.

Warsaw, 30 August 2013

**BDO Sp. z o.o.  
ul. Postępu 12  
02-676 Warszawa  
Authorized Audit Company No.3355**

**Auditor in charge:**

**On behalf of BDO Sp. z o.o.:**

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