TRAKCJA
CAPITAL GROUP

CONSOLIDATED ANNUAL REPORT

OF TRAKCJA CAPITAL GROUP

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Published pursuant to § 82, paragraph 2 point 3 of the Regulation of the Minister of Finance of 19 February 2009 on the current and periodic disclosures to be made by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2014, item 133)

Warsaw, March 21, 2014

Content of the Annual Report:

I. Letter from the President of the Management Board to Shareholders

II. Report of the Management Board on the activities of Trakcja PRKiI Capital Group in 2013

III. Management Board's Statement

IV. Consolidated annual financial statements of the Trakcja PRKiI Capital Group for the financial year ended 31 December 2013

V. Certified Auditor's Opinion and Report

Ladies and Gentleman

On behalf of the Management Board of Trakcja PRKiI S.A. I thank shareholders and investors for their trust. We are certain that activities conducted during the past year had positive influence on achieved results.

2013 was a very special year – a year of important decisions and great changes, thanks to which the Trakcja PRKiI Group strengthened its position and became the leading participant of the railway construction market in Poland. During the past 12 months we executed key goals set at the beginning of the year, such as: raising the capital and reducing debt, obtaining new financing, organizational restructuring, and entry on the railway construction market of our Lithuanian company, AB Kauno Tiltai.

Reorganization took place at the company, thanks to which the process of contract execution was improved, organizational structure was simplified, and a modern management-support IT system was implemented.

Undoubtedly an important event was the December merger of Trakcja S.A. and its subsidiary Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. based in Wrocław. As a result of registering the merger by the National Court Register on 19 December 2013, Trakcja PRKiI S.A. became the key entity of railway construction in Poland.

The most important direct effect of the merger of companies is creation of an entity with huge executive and financial potential. Thanks to the consolidation, we also achieved greater synergy in management, simplification of organizational structure, unification of business processes, and better reliability in relation to the financial sector.

At the end of 2013, Trakcja PRKiI S.A. generated operating profit increased by amortization (EBITDA) in the amount of PLN 38 344 thousand, and net profit at the level of PLN 26 220 thousand.

Whereas Trakcja PRKiI Group, at the end of 2013 generated operating profit increased by amortization (EBITDA) in the amount of PLN 73 616 thousand and net profit of PLN 37 916 thousand.

We can say with satisfaction that the last year brought growth of sales and margin improvement. We also reported net profit higher than a year ago. Improvement of results was affected by factors such as: organizational restructuring, new contracts, entry on the market of Kauno Tiltai, and changes in real estate management.

During the last year we obtained almost PLN 1.2 billion of new contracts, and our contracts portfolio maintains at the level of over PLN 3 billion.

It is also worth noting that company shares have very good listing and attract new important institutional shareholders, such as OFE PZU. Attractiveness of shares translates to a higher turnover volume and new investors allow maintaining their price level. The company's market capitalization in 2013 increased almost four times. At the end I would like to underline a fundamental issue. In the light of the crisis and increasing problems of construction companies, Trakcja PRKiI S.A. regularly obtains new staff taking account of executed investment tasks and further development of the company. A priority for the Management Board is to ensure a feeling of safety and stability of employment to our staff, in the light of changes occurring in the Group. We all take account of the fact that the changes drive each development. We make all efforts so that Trakcja PRKiI Group is an attractive employer that takes care of its staff and a reliable entrepreneur on the market.

Above activities allow believing in further improvement of results and increase of the market value of Trakcja PRKiI, and we wish this to you and ourselves.

With kind regards,

Roman Przybył

President of the Board
Trakcja S.A.

GRUPA
TRAKCJA

MANAGEMENT BOARD REPORT
ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP
IN 2013

This Management Board Report on Capital Group Trakcja PRKiI activities in 2013 is prepared in accordance with § 91 of the Regulation of the Minister of Finance dated 19 February 2009 on the current and periodic disclosures to be made by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2014, item 133).

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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") as adopted by the European Union issued and effective as at December 31, 2013. 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. Group therefore does not bear any responsibility for this information.

1. BUSINESS ACTIVITIES OF THE TRAKCJA PRKII CAPITAL GROUP

1.1. General information about the Group

The Group, consisting of Trakcja PRKiI S.A. ("Trakcja PRKiI", "Company", "Parent Company", "Issuer"), Bahn Technik Wrocław Sp. z o.o. ("BTW"), PRK 7 Nieruchomości Sp. z o.o. ("PRK 7 Nieruchomości"), TORPROJEKT Sp. z o.o. ("Torprojekt"), AB Kauno Tiltai ("Kauno Tiltai"), PEUIM. Sp. z o.o. ("PEUIM") 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.

We have 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. Our 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, we managed to develop high quality work order completion systems, which are highly appreciated by our 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 our Group to be applied.

In the road construction sector, our 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.

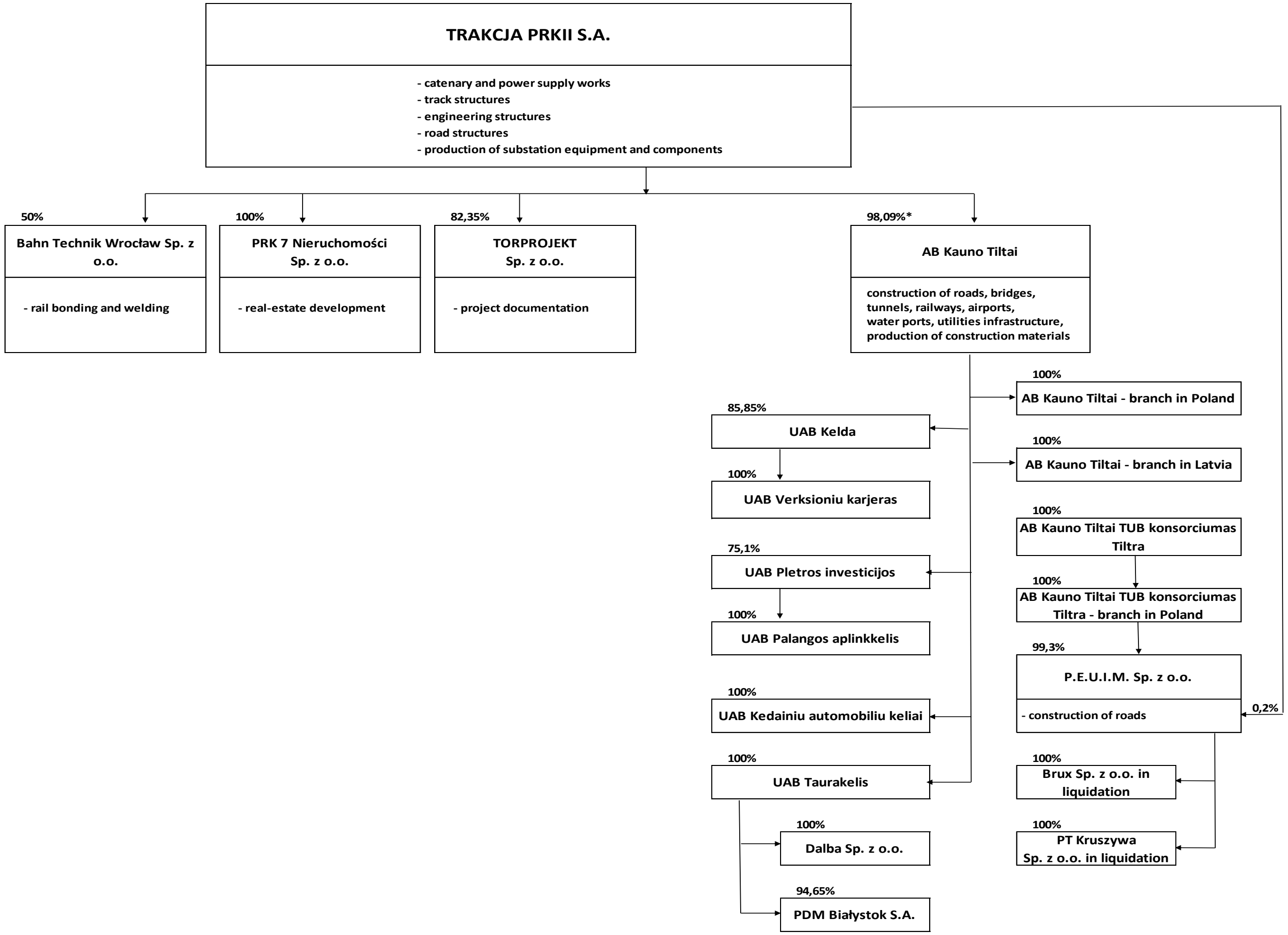
Knowing how important the quality of the products manufactured by our Group is, we care for our products to comply with the required quality standards. The foregoing is demonstrated by numerous certificates granted to our Group, and in particular, by the following: the „Certificate of systems and products 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 our 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 our Group.

1.2. Structure of the Group

The Group is composed of the parent company Trakcja PRKiI S.A. and the subsidiary entities. The Group structure as at December 31, 2013 is presented below:



**) Trakcja PRKiI 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.*

1.3. Changes in Capital Group

In the period from January 1, 2013 to December 31, 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.

On December 19, 2013, the District Court for the Capital City Warsaw, XII Commercial Division of the National Court Register, entered Trakcja S.A. (as acquiring company) merger with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. (as acquired company).

The merger of the companies was recognized as at December 31, 2013 and effected through the transfer of all the assets of the acquired company, i.e. by way of merger by acquisition.

On December 19, 2013, the District Court for the Capital City Warsaw, XII Commercial Division of the National Court Register, entered the changes in the statute of the Company, which are made pursuant to Resolution No. 4 of the Extraordinary General Meeting of Shareholders dated November 27, 2013. The name of the Company was changed to "Trakcja PRKiI Spółka Akcyjna".

On December 19, 2013, the Extraordinary General Meeting of the Issuer's subsidiary, PT Kruszywa Sp. z o.o. with its registered office in Białystok (PT Kruszywa) adopted a resolution to dissolve the company and and to open liquidation of the company. The Extraordinary General Meeting of Shareholders appointed Mr. Rolandas Rekašiusa as the company's liquidator. The request for the opening of liquidation process was filed by the company on December 20, 2013 in the District Court in Białystok, XII Commercial Division of the National Court Register. The reason for adoption of a resolution to liquidate the company was the lack of operational activity by the company in the year 2013. Accordingly, the company's name was changed to PT Kruszywa Sp. z o.o. in liquidation. PT Kruszywa as at December 31, 2013 was consolidated by the Group.

With effect from March 6, 2014 the company Brux Sp. z o.o. in liquidation ("Brux") has been deleted from the National Court Register. Group ceased to consolidate the Company with effect from December 31, 2012 as a result of a resolution appointed on December 21, 2012 by the Extraordinary Shareholders' Meeting of Brux to open the process of liquidation.

1.4. Information about the main entities of the Group subject to consolidation:

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 others: Lazurowe Osiedle residential project in Warsaw (stage I and II) and the project at ul. Oliwska in Warsaw. Currently, the company is implementing a project involving the construction of three multifamily buildings in Warsaw in ul. Pełczyńskiego.

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, PRKiI is a 50-percent shareholder in the share capital of Bahn Technik. The remaining 50 percent of shares is held by Leonhard Weiss GmbH & Co with its registered office in Göppingen (a company incorporated under the law of Germany).

The scope of business activities of Bahn Technik includes: the sale of Strail crossing surface offered by Gummiwerk Kraiburg Elastik GmbH, the thermite welding, the repair and renovation of turnouts, the renovation of railway and tramway crossings, the execution of pre-stressed, glued insulation joints, the sale of Railtech welding materials and the sale of Perker SR rail lubrication systems.

Bahn Technik provides 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 operating in the road and bridge construction sector in Baltic countries. The company specialises in the construction and reconstruction of roads, bridges, tunnels, railways, airports and ports, which is confirmed by the fact that since the beginning of its activity, i.e. from 1949, AB Kauno Tiltai has constructed over 100 bridges and viaducts and was responsible for the construction and reconstruction of numerous roads in the whole territory of Lithuania.

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

PEUIM. is a company from the road construction sector whose activity focuses in the north-eastern part of Poland. The company was established in 1960 in Białystok. PEUIM's specialisation encompasses the construction of roads, pavements, installation of signalling and warning systems ensuring the safety of roads. Moreover, the Company produces bituminous masses, concrete and other construction materials.

1.5. Capital Group employment structure

	Financial year ended		
	31.12.2013	**31.12.2012**	**1.01.2012**
Average employement in the Capital Group during the period:			
Management Board of Parent entity	5	5	5
Management Boards of subsidiaries	17	17	62
Administration	236	227	360
Sales department	51	49	133
Production division	1 080	1 184	1 725
Other employees	764	806	1 953
Total	**2 153**	**2 288**	**4 238**

	31.12.2013	**31.12.2012**	**1.01.2012**
Employement in the Capital Group as at 31.12.2013			
Management Board of Parent entity	6	5	6
Management Boards of subsidiaries	14	13	33
Administration	243	237	340
Sales department	50	53	122
Production division	1 017	1 134	1 542
Other employees	711	722	1 954
Total	**2 041**	**2 164**	**3 997**

1.6. Changes in the basic principles for managing the Capital Group

In 2013, no significant changes were implemented in the basic principles for managing the Trakcja PRKiI Capital Group.

1.7. Products and services

The scope of our 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.

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:

- Multifamily residential complexes,
- 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 PRKiI 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. (previously PRK-7 S.A). The company implements development projects in cooperation with the General Contractor.

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 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.

1.8. Sales structure

The sales structure as divided into types of works, production and other areas of activity are presented in the table below.

	2013		2012	
	value	%	value	%
Railway works	1 036 420	61,9%	799 980	59,4%
Road works	390 098	23,3%	281 569	20,9%
Bridge works	116 792	7,0%	113 961	8,5%
Tramway works	-	0,0%	23 568	1,8%
Production	56 163	3,4%	68 113	5,1%
Other areas of activity	75 511	4,4%	59 485	4,3%
Total revenues from sales	**1 674 984**	**100%**	**1 346 676**	**100%**

1.9. Key contracts for construction services

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

Agreement date	Company from Trakcja PRKiI Group	Client	Net amount (kPLN)	Subject of agreement
22.01.2013	AB Kauno Tiltai	Litewski Zarząd Dróg	112 535	Reconstruction of road E85 (Vilnius-Kaunas-Klaipeda) trans-European network
6.02.2013	Trakcja PRKiI	Łódzka Kolej Aglomeracyjna Sp. z o.o.	55 245	Design and construction of technical infrastructure
19.03.2013	Trakcja PRKiI	PKP Energetyka S.A.	33 351	Framework agreement for the supply of switchgear 3 kV DC
25.03.2013	AB Kauno Tiltai	Urząd Miasta Wilno, Litwa	52 754	Construction work on the transport corridor IXB (Vilnius, Lithuania) and the construction of a link International Airport of Vilnius
2.04.2013	Trakcja PRKiI	PKP PLK S.A.	88 859	Development of design documentation and execution of works for the task "Rewitalizacja linii kolejowej nr 144 na odcinku Fosowskie-Opole"
10.04.2013	UAB "Palangos aplinkkelis"	Litewski Zarząd Dróg	121 532	The design works and construction works facility - the main road II category - bypass Palanga (Lithuania)
11.06.2013	AB Kauno Tilati	Akcine bendrove "Lietuvos gelezinkeliai", Litwa	361 330	Construction work for the reconstruction of railway section-Šeštokai Kaunas (Lithuania)
30.07.2013	Trakcja PRKiI	PKP PLK S.A.	59 760	Reconstruction of the station Arrows, implemented as part of a project titled. "Modernization of the railway line No. 4 Central Trunk Railway"
31.07.2013	Trakcja PRKiI	PKP PLK S.A.	24 220	Work related to the revitalization of the railway line No 144 on the section Fosowskie Opole-electrification of Line 144 on the section Fosowskie Opole

- 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.
- The Management Board of Trakcja S.A. informed on October 7, 2013 that the Company concluded annex to the Agreement for construction works for the modernisation of line no. 9 in the section from 236,920 km to 287,700 km included in the Local Control Centre located in Malbork under the Project: No. POIiŚ 7.1-1.3 "Modernisation of railway line E 65/ C-E 65 on the Warsaw - Gdynia section, LCC Ilawa, LCC Malbork", about which the Company informed in current report no. 35/2011 dated May 27, 2011. The subject of the above-mentioned annexes to the agreement shall be extension of deadline for the construction works as mentioned in the agreements by 9 months.
- Trakcja PRKiI in the result of a merger of PRKiI S.A. ("PRKiI") under an agreement signed by the PRKiI on 6 November 2013 overtook rights and obligations of Przedsiębiorstwo Napraw Infrastruktury

spółka z o.o. in arrangement bankruptcy, resulting from the agreement no. PNI – T4 – 35/2011 – ENERGETYKA of 31 August 2011, to which PKP Energetyka S.A. was a second party. The agreement concerns basic line construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of Dolnośląskie Voivodeship, within the project POLiŚ 7.1. – 4 "Modernization of the railway line E59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of Dolnośląskie Voivodeship". Initial total net value of the agreement was PLN 84 903 164.57. As at the date of signing the agreement, the total net value of the agreement is PLN 51 983 818.60.

1.10. Markets and sourcing

In 2013 the Group's products were sold in the Polish and Lithuanian markets.

The geographical structure of revenues from sales are presented in the table below.

	2013		2012	
	value	%	value	%
Domestic	1 061 674	63,4%	853 698	63,4%
Abroad	613 310	36,6%	492 978	36,6%
Total revenues from sales	**1 674 984**	**100%**	**1 346 676**	**100%**

The main recipient of the Capital Group is PKP Polskie Linie Kolejowe S.A.; the other ordering parties include: Lithuanian Road Administration (Litewska Administracja Drogowa), Lithuanian Railways (Koleje Litewskie).

The customer structure demonstrates that the Group is greatly dependent on PKP PLK S.A., whose direct share in our revenues from sales in 2013 is approximately 55.4 %. Since the beginning of the existence of the Group, this is the major customer in the customers structure. The second largest customer — Lithuanian Railways (Koleje Litewskie) - generated in the same year 10.0 % of our revenues, whereas the third largest customer – Lithuanian Road Administration (Litewska Administracja Drogowa) - 9.5%. . None of the contracting parties listed above is formally related to our Group.

The structure of suppliers in the analysed period show that our Group is not subordinated to any of the contracting parties. In 2013, the share of any of the suppliers did not reach 10 percent of the Capital Group's purchases value. The share of the largest supplier in the total purchase of materials and services by our Capital Group was approx. 5.4% . The shares of the second and third largest contracting parties were respectively approx. 3.7 % and 3.4% percent of the total purchases of materials and services.

1.11. Capital Group's strategy and development

In year 2013 Trakcja PRKiI S.A. successfully continued organizational and legal restructuring of the Capital Group with the objective to increase its business synergies, operational effectiveness and financial strength. The most important step was the merger of Trakcja S.A. and PRKiI S.A. which created the leader of the Polish market
of construction-assembly services for railways.

Trakcja PRKiI Group is the economic organism with annual sales in 2013 of more than 1,6 billion PLN, backlog amounting to around 3 billion PLN which operates in 4 areas of business activities:

- construction-assembly services for railways
- construction-assembly services for tramways,
- construction-assembly services for roads
- real estate.

In 2014 Kauno Tiltai will start execution of new contracts for the Lithuanian railways (Via Baltica project) and will start searching possibilities to enter new markets like neighbour countries. The primary objective is to win profitable contracts with risk adjusted.

The Management Boards of the Group's companies plan in 2014 to take actions aiming at further improvement of the Group's results by applying the following strategic guidelines:

- organic growth,

- increase in efficiency and productivity by better organization of works, wider use of synergies and motivational systems,
- improvement of cash generation and debt level,
- bigger use of own forces in projects execution and
- selective choice of contracts in the consortium formula.

Decisive factors in Trakcja PRKiI Group success will be the motivational systems encouraging managers to seek further improvement in operations and knowledge-sharing between different companies of the Group.

The strategic objectives for the business areas will be as follows:

- railways – leadership position in Poland and strong position in Lithuania,
- tramways – strengthening market position in Poland and start building market presence in Lithuania
- roads – leadership position in Lithuania and restoring regional strong position in Poland (the Podlasie region),
- real estate – maintain the position of the profitable local developer in the Warsaw region.

The markets on which operate companies of Trakcja PRKiI Group have good prospects thanks to the large EU funds for the New Perspective 2014-2020 (the available funds for railways doubled in comparison with the previous Perspective) and thanks to ambitious investment plans of energy distribution companies.

The goals for the Group will be achievable thanks to assuring the effective organizational and financial support in the areas of bidding and tendering and contract execution. In 2014 the Management Board plans to finish implementation of two important strategic initiatives that will improve processes of bidding and tendering and project execution:

- **implementation of the modern contract management system** which allows to manage budgets and schedules of many large projects (that are executed at the same time) on the basis of detailed source data, registered in real-time.
- **Implementation of the centralized procurement system that includes all contracts that are being executed** and for the back-office units. Thanks to this initiative Trakcja PRKiI S.A. plans to achieve relevant and long-lasting cost savings and to optimize purchases.

The primary objective of the financial management area of Trakcja PRKiI Group will be improved efficiency in working capital management. Its expected results will be better financial liquidity, optimization of working capital needs and maintenance of safe level of the Group's debt.

1.12. Capital Group's development prospects

The Management Board assesses positively the growth perspectives of the Capital Group in 2014. The backlog as at December 31, 2013 (adjusted for the contracts signed after this date) amounted to 3 billion PLN. Capital Group will tend to achieve the sales at the level of 2 billion PLN.

Planned expenditures (EU funds and Polish contribution) for the modernization of the Polish railways network in 2014-2020 will amount to about 59 billion PLN and about 60 billion PLN for the road construction works *(source of information: "Dokument implementacyjny do strategii rozwoju transportu do 2020 r. (z perspektywą do 2030 r.)", Ministerstwo Infrastruktury i Rozwoju, Warszawa, grudzień 2013 r.)*.

2. CURRENT AND FORECAST FINANCIAL STANDING OF TRAKCJA PRKII CAPITAL GROUP

2.1. Group's financial performance in 2013

2.1.1. Consolidated profit and loss account of the Trakcja PRKiI Group

CONSOLIDATED PROFIT & LOSS ACCOUNT 1.01.2013-31.12.2013	**1.01.2013 - 31.12.2013**	**01.01.2012 - 31.12.2012 Modified**	**Change**	**Change %**
Sales revenues	1 674 984	1 346 676	328 308	24%
Cost of goods sold	(1 566 643)	(1 304 572)	(262 071)	20%
Gross profit on sales	**108 341**	**42 104**	**66 237**	**157%**
Cost of sales, marketing and distribution	(7 366)	(7 519)	153	-2%
General and administrative costs	(51 683)	(50 967)	(716)	1%
Other operating revenues	15 608	6 989	8 619	123%
Other operating costs	(14 448)	(7 488)	(6 960)	93%
Profit on the loss of control	46	45 149	(45 103)	-100%
Operating profit	**50 498**	**28 268**	**22 230**	**79%**
Financial revenues	3 196	7 891	(4 695)	-59%
Financial costs	(20 719)	(35 530)	14 811	-42%
Gross profit	**32 975**	**629**	**32 346**	**5143%**
Income tax	(4 941)	13 146	(18 087)	-138%
Net profit for the period	**37 916**	**(12 517)**	**50 433**	**403%**

In 2013, the Trakcja PRKiI Group generated revenues of PLN 1,674,984k, which were by 24 percent higher than in preceding year. The cost of goods sold in the 12-month period of 2013 increased by 20 percent and was PLN 1,566,643k. In 2013 the Group's gross profit on sales was PLN 108,341k and was by 157 percent higher than the profit generated in the comparable period. In the discussed period, gross profit margin on sales was 6,5 percent, whereas in the analogous period (2012) it reached 3,1 percent.

The costs of sale, marketing and distribution were PLN 7,366k and were lower by 2 percent than in the comparable period. The general and administrative costs were PLN 51,683k and increased by 1 percent, i.e. PLN 716k as compared to the previous year.
The other operating revenues for the 12-month period of 2013 were PLN 15,608k and were higher by o 123 percent i.e. PLN 8 619k than in comparable period. In the comparable period, the Group generated in particular, the other operating revenues in the amount of 6,989k. The other operating costs were in 2013 PLN 14,448k and were lower by PLN 6,960k than such costs incurred in the previous year. In the analysed period, the Group generated profit on operating activities in the amount of PLN 50,498k, which was higher by 79 percent, i.e. by PLN 22 230k in the comparable period in which it was PLN 28 268k.
The Group recognized a profit in 2013 due to loss of control over PT Kruszywa Sp. z o.o. in liquidation in the amount of PLN 46k. In 2013 the Group's financial revenues equaled PLN 3,196k and decreased by 59 percent in comparison to the revenues generated in 2012, which were PLN 7,891k. The financial expenses in the 12-month period ended 31 December 2013 reached the value of PLN 20 719k and decreased in comparison to the preceding year mainly due to lower bond interest costs. Moreover, the level of financial expenses was driven by the creation of provision for financial liability in the amount of PLN 10,946k.

For the period from 1 January 2013 to 31 December 2013 the Group generated gross profit equaling PLN 32 975k and due to this fact the gross profit increased by PLN 32,346k, i.e. by 5 143 percent in comparison to previous year in which the Group achieved gross profit in the amount of PLN 629k.

The income tax in 2013 had a positive impact on net profit in the amount of PLN 4,941k. In 2012 the income tax was PLN 13 146k.

The Trakcja PRKiI Group generated the net profit in 2013 in the amount of PLN 37,916k and the Group's net result was increased by 403 percent in comparison to 2012.

2.1.2. Consolidated balance sheet of the Trakcja PRKiI Group

The table below presents the main positions of the consolidated balance sheet of the Trakcja PRKiI Group as of December 31, 2013 as compared with the state as of December 31, 2012:

CONSOLIDATED ASSETS	31.12.2013	31.12.2012 Modified	1.01.2012 Modified	Change 2013 vs 2012	Change %
Non-current assets	**719 824**	**699 000**	**855 782**	**20 824**	**3%**
Tangible non-current assets	187 351	192 849	316 512	(5 498)	-3%
Investment properties	60 161	59 875	62 433	286	0%
Goodwill from consolidation	375 217	372 918	380 353	2 299	1%
Intangible assets	30 324	17 800	15 896	12 524	70%
Investments in affiliates	-	-	2 052	-	-
Investments in other units	24	24	25	-	0%
Other financial assets	25 665	26 742	31 228	(1 077)	-4%
Deferred tax assets	39 191	25 296	43 150	13 895	55%
Accruals	1 891	3 496	4 133	(1 605)	-46%
Current assets	**923 314**	**628 202**	**1 069 451**	**295 112**	**47%**
Inventory	103 656	93 866	150 741	9 790	10%
Trade and other receivables	637 108	245 759	542 569	391 349	159%
Income tax receivables	-	-	271	-	-
Other financial assets	35 095	26 422	28 767	8 673	33%
Cash and cash equivalents	84 016	121 193	222 562	(37 177)	-31%
Accruals	8 558	6 831	9 967	1 727	25%
Construction contracts	54 881	134 131	109 939	(79 250)	-59%
Available-for-sale assets	-	-	4 635	-	-
Total assets	**1 643 138**	**1 327 202**	**1 925 233**	**315 936**	**24%**

As at 31 December 2013, the total assets of the Trakcja PRKiI Group equaled PLN 1 643 138k and increased by PLN 315,936k in comparison to 2012. Fixed assets increased by PLN 20,824k, i.e. by 3 percent in comparison to 2012, to the level of 719,824k as at 31 December 2013. A the same time current assets increased in 2013 by PLN 295,112k and amounted PLN 923,314k.

The highest increase among fixed assets concerned Investment properties which increased by PLN 12,524k due to the accounting policy change regarding the valuation of investment properties in fair value and reassignment of certain tangible fixed assets.

The level of current assets increased as well in comparison to the previous year due to an increase in Trade and other receivables which equaled at reporting date PLN 637,108k and increased by PLN 391,349k. Cash and cash equivalents were reduced by o 31 percent, reaching the level of PLN 84,016k. Inventory has increased by PLN 9,790k, which is 10 percent to the comparable period.

CONSOLIDATED LIABILITIES	31.12.2013	31.12.2012 Modified	1.01.2012 Modified	Change 2013 vs 2012	Change %
Equity attributable to shareholders of parent entity	**632 422**	**491 851**	**530 182**	**140 571**	**29%**
Share capital	41 120	23 211	23 211	17 909	77%
Basic conditional capital	-	18 545	-	(18 545)	-100%
Due payments for basic capital (negative	-	(18 545)	-	18 545	-100%
Share premium account	310 102	231 813	231 591	78 289	34%
Revaluation reserve	8 158	2 396	2 343	5 762	241%
Other capital reserves	226 987	241 025	199 775	(14 038)	-6%
Retained earnings	37 706	(11 928)	56 674	49 634	-416%
Foreign exchange differences on translat	8 349	5 334	16 588	3 015	57%
Non-controlling interests	2 407	1 792	18 600	615	34%
Total equity	**634 829**	**493 643**	**548 782**	**141 186**	**29%**
Total liabilities	**1 008 309**	**833 559**	**1 376 451**	**174 750**	**21%**
Long-term liabilities	**114 294**	**154 515**	**355 913**	**(40 221)**	**-26%**
Interest-bearing bank loans and borrowi	19 523	97 911	134 216	(78 388)	-80%
Bonds	49 926	12 913	160 040	37 013	287%
Provisions	4 226	3 718	3 460	508	14%
Liabilities due to employee benefits	10 318	9 552	17 008	766	8%
Provision for deferred tax	29 731	30 421	41 107	(690)	-2%
Detrivative financial instruments	570	-	58	570	-
Other financial liabilities	-	-	24	-	-
Short-term liabilities	**894 015**	**679 044**	**1 020 538**	**214 971**	32%
Interest-bearing bank loans and borrowi	167 467	38 373	230 517	129 094	336%
Bonds	-	147 761	5 695	(147 761)	-100%
Trade and other liabilities	507 202	333 361	570 766	173 841	52%
Provisions	19 138	9 838	21 842	9 300	95%
Liabilities due to employee benefits	9 424	8 744	13 567	680	8%
Income tax liabilities	4 699	2 657	-	2 042	77%
Detrivative financial instruments	-	59	95	(59)	-100%
Other financial liabilities	34 718	-	4 647	34 718	-
Accruals	68	94	1 496	(26)	-28%
Construction contracts	150 467	133 660	151 370	16 807	13%
Advances received towards flats	832	4 497	20 543	(3 665)	-81%
Total equity and liabilities	**1 643 138**	**1 327 202**	**1 925 233**	**315 936**	24%

The Group's share capital increased as at 31 December 2013 by PLN 141,186k, i.e. by 29 percent in comparison to its balance as at 31 December 2012. The equity increased mainly due to the net profit for the year 2013 in the amount of PLN 37,916k and increase in the increase in share premium which is the result of exchanging bonds to shares and therefore share capital increase.

Long-term liabilities reached on 31 December 2013 the level of PLN 114,294k and decreased in comparison to the level as at 31 December 2012 by PLN 40,221k. The long-term interest-bearing loans and credits dropped by PLN 78,388k and reached the level of PLN 19,523k. The provision for deferred tax equaled PLN 29,731k and decreased by PLN 690k.

An significant increase has been noted in the level of short-term liablities , i.e. by PLN 214,971k, which is a 32 percent increase as compared to 2012. An increase in the trade liabilities and other liabilities was PLN 173,841k, which was a 52 percent increase in comparison to 2012. The short-term interest-bearing loans and credits equaled PLN 167,467k and increased by PLN 129,094k compared to the same figures at the end of last year. In 2013, the Group recognized liabilities from factoring included in other financial liabilities in the amount of PLN 34,718k.

2.1.3. Consolidated cash flow statement of the Trakcja PRKiI Group

The table below presents the main items of the Trakcja PRKiI Group's consolidated cash flow statement for years ended on December 31, 2013 and December 31, 2012:

CONSOLIDATED CASH FLOW ACCOUNT	31.12.2013	31.12.2012 Modified	Change 2013 / 2012	Change %
Cash at start of period	**121 193**	**222 562**	**(101 369)**	**-46%**
Net cash flows from operating activities	(23 872)	80 369	**(104 241)**	**-130%**
Net cash flows from investment activities	(10 332)	(65 634)	**55 302**	**-84%**
Net cash flows from financial activities	(5 164)	(116 104)	**110 940**	**-96%**
Total net cash flows	**(39 368)**	**(101 369)**	**62 001**	**-61%**
Cash at end of period	**81 825**	**121 193**	**(39 368)**	**-32%**

In 2013, the balance of net cash flow from operating activities decreased by PLN 104,241k. The main impact on the negative balance from operating activities had the increased level of short-term receivables.

The Group in 2013 showed a negative balance of net cash from investing activities in the amount of PLN 10,332k while in 2012 the negative balance of cash flows from investing activities amounted PLN 65,634k. The negative balance from investment activities in 2013 was due to the purchase of fixed assets by the Group and the outflow of funds for deposits and bank guarantees.

The balance of the net cash flows from financial activities in 2013 was negative and equaled PLN 5,164k. This balance in 2013 was reduced by PLN 110,940k. compared to last year.

The Group started the year 2013 with cash in the total amount of PLN 121,193k and ended the year showing in the consolidated statement of cash flows, cash in the amount of PLN 81,825k. The level of cash and cash equivalents decreased in 2013 by PLN 39,368k.

Cash at 31 December 2013 shown in the balance sheet amounted PLN 84,016k. Cash resources excluded from the cash flow statement as at December 31, 2013 relate to restricted funds in the accounts of development projects in the amount of PLN 2,191k, and the restricted cash resources in the amount of PLN 912k are dedicated to pay off interest on the bonds.

2.2. Evaluation of factors and unusual events affecting the financial performance of the Trakcja PRKiI Group in 2013

In 2013, there were no significant factors and unusual events that had an impact on the Group's financial result.

2.3. Financial ratios of the Group

2.3.1. Profitability ratios

Gross profit margin on sales increased in 2013 by 3.34 percentage points compared to the previous year reaching the level of 6.47 percent. Operating profit increased by depreciation amounted PLN 73,616k and increased by PLN 18,171k in comparison to the previous year. EBITDA margin in 2013 was higher by 0.27 pp and reached a level of 4.39 percent. Operating profit margin in 2013 equaled 3.01 percent and was higher by 0.91 pp while compared to 2012. The net profit margin increased by 3.19 pp reaching the positive level of 2.26 percent in comparison to -0.93% in 2012. The rate of return on equity - ROE increased compared to the previous year by 9.20 pp and showed a positive level of 6.75%, while return on assets - ROA also turned positive 2.55% and was higher by 3.32 pp from the level in the previous year.

PROFITABILITY RATIOS	31.12.2013	31.12.2012 Modified	Change	Change %
Gross sales profit margin	6,47%	3,13%	3,34%	106,88%
EBITDA	73 616	55 445	18 170,93	32,77%
EBITDA profit margin	4,40%	4,12%	0,28%	6,75%
Operating profit margin	3,01%	2,10%	0,92%	43,63%
Net profit margin	2,26%	-0,93%	3,19%	-343,54%
Return on equity (ROE)	6,74%	-2,45%	9,19%	-375,37%
Return on assets (ROA)	2,55%	-0,77%	3,32%	-431,68%

The above ratios have been calculated in accordance with the following formulas:
Gross sales profit margin = Gross profit on sales / revenues on sales
EBITDA = operating profit + depreciation and amortisation
EBITDA profit margin = (operating profit + depreciation and amortisation) / revenues on sales
Operating profit margin = operating profit / revenues on sales
Net profit margin = net profit / revenues on sales
Return on equity (ROE) = net profit / average annual equity
Return on assets (ROA) = net profit / average annual assets

Other financial ratios have been presented in section 2.4.

2.4. Evaluation of financial resources management

The goal of the Group in managing the capital risk is maintaining the Group ability to continue the business and maintain optimum capital structure to provide return on investment to the shareholders. To maintain or correct the capital structure, the Group may emit new shares, change the amount of dividends paid to the shareholder, increase debt or reduce debt by selling the assets.

At the end of 2013, the Trakcja PRKiI Group had PLN 84,016k in cash and at the same time its financial debt on account of credit, loans and bonds issued and factoring liabilities equaled PLN 271,634k. The Group maintains a safe level of both external financing and financial liquidity. Any temporary cash surpluses were invested in short-term bank deposits.

Due to the conversion of the individual items from the profit and loss statement of Lithuanian companies on the basis of an average rate for the period covered by the consolidation, the consolidated financial results are subject to fluctuations in the exchange rates of the Polish zloty against the Lithuanian litas.

2.4.1. Liquidity ratios

The Group's working capital at the end of year 2013 amounted PLN 29,299k and was higher by PLN 80,141k compared to the previous year.
Current ratio at the end of 2013 reached the level of 1.03 and was higher by 0.1 from the current ratio for the year 2012. Quick ratio increased by 0.27 and reached the level of 0.85. The cash ratio decreased by 0.09 in comparison to the previous year and reached the level of 0.09. The cash ratio indicates that the Group would be able to immediately pay back 9 percent of their liabilities out of cash.

LIQUIDITY RATIOS	31.12.2013	31.12.2012 Modified	Change	Change %
Working capital	29 300	(50 842)	80 142	-1,58
Current ratio	1,03	0,93	0	0,12
Quick ratio	0,85	0,58	0	0,46
Cash ratio	0,09	0,18	0	-0,47

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

2.4.2. 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 operational activity of the Group.
The equity to assets ratio increased in 2013 to 0.38 and was by 0.01 higher than in the preceding year. The equity to fixed assets ratio increased by 0.18 and amounted to 0.88. The total debt ratio was 0.62 as at the end of 2013. The foregoing means that the company’s assets are financed by third party financing sources (liabilities) in 62 percent. At the end of 2013, the debt to equity ratio decreased by 0.1 as compared to 2012 and was 1.6 as at 31 December 2012.

FINANCING STRUCTURE RATIOS	31.12.2013	31.12.2012 Modified
Equity to assets ratio	0,38	0,37
Equity to non-current assets ratio	0,88	0,70
Debt ratio	0,62	0,63
Debt to equity ratio	1,60	1,70

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

2.5. Major deposits and capital investments

By virtue of the Resolution No. 5 of the Extraordinary General Meeting of Shareholders dated 12 December 2012, the share capital of Trakcja PRKiI S.A. was conditionally increased by the maximum amount of PLN 18,545,436. The share capital is to be increased by way of issuing the maximum of 185,454,360 ordinary bearer H-shares with the nominal value of PLN 0.10 each. The share capital is to be increased by way of issuing H-shares upon the exercise by the holders of convertible bonds their right to acquire H-shares (the holders of registered bonds will have the right to convert such bonds into ordinary bearer H-shares). The right to acquire H-shares is to be exercised within the conversion period by 31 March 2013. On 21 December 2012, the District Court of the City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, entered the change involving the conditional increase in the share capital into the register.

Upon the conversion of the bonds into shares, the Company's share capital is PLN 41,119,638.40 and is divided into 411,196,384 shares, which give the right to the same number of votes at the Company's general meeting of shareholders.

2.6. Information on securities issued in the period covered by the report and description of the use of proceeds from such issuance

In 2013, Trakcja PRKiI issued :

- 29,529 secured bonds series C with a total nominal value of PLN 29,529k ;

- 197 D series bonds with a total nominal value of PLN 98,500k convertible into ordinary shares of Series H issued by the Company under its conditional capital ;

- 20,921 unsecured bonds series E with a total nominal value of PLN 20,921k.

The bonds were offered to the procedure specified in Art. 9 paragraph . 3 of the Act on Bonds. Offer to purchase bonds did not constitute a public offering within the meaning of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies .

The bond issue was made in order to change the structure of financing, the postponement of the bonds maturity and reduce the debt arising from the issue of ordinary bonds series A and B, due for redemption in 2013 and 2014. The company propose the offer to purchase bonds to selected investors , in particular to current bondholders holding bonds series A and B.

Debt restructuring of the Company in respect of ordinary bonds series A and B occurred in the following forms :

- cash payment of portion of liability , including accrued interest in full ;

- conversion of debt into equity (through the issuance of Series D convertible bonds) ;

- postponement of debt repayment to December 31, 2015 (by issuing bonds series C and series E).

Until March 31, 2013, all bonds series D were converted into ordinary shares, Series H. As of December 31, 2013 , the Company had the following bonds :

Bond series	Issue date	Maturity date	Nominal value of 1 bond (in PLN)	Series nominal value (in ths. PLN)
C	31.01.2013	31.12.2015	1 000	29 529
E	31.01.2013	31.12.2015	1 000	20 921

2.7. Explanation of differences between the actual and forecast financial performance of the Trakcja - PRKiI Group

The Trakcja PRKiI Group did not publish any financial forecast in 2013.

2.8. Significant events after the balance sheet date

Construction works contracts:

- On 14 January 2014, Trakcja PRKiI S.A. concluded with FCC Construcción S.A. ("FCC") an annex to the Subcontracting Agreement no. U/07C/012/13 of 15 April 2013. Pursuant to the Annex, the scope of works was increased as well as the value of the object of the agreement by PLN 35 352 344.00 net up to approximately PLN 53 179 941.20 net. The works completion date was set at 21 September 2015.
- On 28 February 2014, the Management Board of Trakcja PRKiI S.A. informed that during the last 12 months the Company concluded with PKP Polskie Linie Kolejowe S.A. agreements with the total value of PLN 64 279 588.58 net. The agreement with the highest value is the contract concluded on 28 February 2014 between the Company and PKP PLK S.A. for the performance of a supplementary contract consisting in design and construction works at the Łódź Widzew railway station from km 4,100 to km 7,2000 of the railway line no. 17 within the project POIiŚ 7.1-24.2 entitled "Modernization of the railway line Warszawa – Łódź, stage II, Lot B – section Łódź Widzew-Łódź Fabryczna including Łódź Fabryczna station, and construction of the underground part of the Łódź Fabryczna railway

station serving for train check-in and check-out and passenger handling." The net value of the Agreement is PLN 15 469 388.14. The object of the Agreement is the performance of design and construction works at the Łódź Widzew station from km 4,100 to km 7,2000 of the railway line no. 17. The deadline for completion of works was set as 30 September 2015.

- On 13 March 2014 the Company received an annex to the agreement no. 90/132/281/00/11000838/10/I/I of 2 November 2010 for Design and performance of construction works at the railway line Kraków – Medyka – state border at the section Podłęże – Bochnia at km 16,000 – 39,000 within the project "Modernization of the railway line E 30/C-E 30, section Kraków – Rzeszów, stage III"; the Company notified about the agreement in the current report no. 34/2010 of 3 November 2010. Pursuant to the annex, the parties changed the date of performance of the agreement to 11 February 2015. The initial performance date was 40 months from the date of commencement of works, no later however than 31 January 2014. On 14 March 2014, another annex to the aforementioned agreement was concluded, changing the total net value of the agreement to PLN 583 308 849.27.
- On 17 March 2014 Trakcja PRKiI concluded a subcontracting agreement with Pomorskie Przedsiębiorstwo Mechaniczno-Torowe Sp. z o.o. in Gdańsk for the performance of track and dewatering works within the scope of the agreement for design and modernization of the railway line Warszawa - Łódź, stage II, section Warszawa Zachodnia – Miedniewice (Skierniewice) within the project POIiŚ 7.1 – 24.1 "Modernization of the railway line Warszawa – Łódź, stage II, Lot A – section Warszawa Zachodnia - Skierniewice". The amount of remuneration was set at PLN 77 710 780.90 net. The deadline for completion of works was set at 31 December 2014.

Other important events:

- On 9 January 2014, a pledge on claims of the Issuer's subsidiary was entered in the Lithuanian Mortgage Register. - AB Kauno Tiltai to the benefit of the pledgor: Nordea Bank Finland Plc and AB DNB bankas. The total gross value of pledged claims is LTL 197 762 thousand.
- On 10 March 2013, the Company received a decision of the Regional Court in Warsaw on closure of proceedings brought by the Company's shareholder – a natural person – against the Company for declaration of invalidity of resolutions passed on 12 December 2012 at the Extraordinary Shareholders Meeting.
- On 17 March 2014, the Issuer received a decision of the District Court in Białystok about removal from the register of entrepreneurs - National Court Register - of the Issuer's subsidiary - Producent Kostki Brukowej i Galanterii Betonowej Brux Sp. z o.o. in liquidation.

2.9. Evaluation of potential completion of investment projects, including capital investments

In 2014 the Group does not intend to significantly increase the level of investment in fixed assets compared to last year. As a result of incurring significant expenditures in previous years, the Group possess adequate level of construction equipment.

2.10. Description of factors essential for the Capital Group's development

Below the factors which, in the opinion of the Management Board of the parent company, have or will in the nearest future have an impact on the Group's activities. Information on material proceedings and disputes against the companies from the Group as well as penalties can be found in point 11 of this report.

The most important factors which have an impact on financial results of our Capital Group include:

- 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 Group's financial results are exposed to the fluctuations of foreign currency exchange rates, and in particular to the fluctuations of the Polish zloty against the litas. Due to the conversion of the individual items from the profit and loss statement of Lithuanian companies on the basis of an average rate for the period covered by the consolidation, the consolidated financial results are subject to fluctuations in the exchange rates of the Polish zloty against the Lithuanian litas. Moreover, there is a FX risk due to purchase transactions in EUR, related to the performance of contracts
- The Central Bank's monetary policy reflected in the changes in interest rates. For the purpose of financing 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 acquisition 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-private partnership, in particular, the Act on *Public-Private Partnership* (Journal of Laws 2009, No. 19, item 100, with further amendments),
- The financing of railway and road infrastructure,
- The environmental protection in the scope of implementation of individual projects, in particular, the Act on the Environmental Protection Law,
- The property development activities of PRK 7 Nieruchomości Sp. z o.o., the regulations governing buying and selling real properties, in particular the Civil Code, Act *on the Real Estate Management* of 21 August 1997 (Journal of Laws, 04.261.263), Act *on the Acquisition of Real Estate by Foreigners* of 24 March 1920 (Journal of Laws, 04.167.1758), Act *on the Ownership of Premises* of 24 June 1994 (Journal of Laws, 00.80.903) and the regulations referring to zoning and building.

2.11. Risk Factors

The factors that may significantly deteriorate the financial standing of our Group include the following:

- Risk of growing competition,
- The risk of changes in the strategy of Polish and Lithuanian government to modernize infrastructure in the coming 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,
- The risk associated with potential penalties for failure in execution of 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,
- The risk associated with financing agreements,
- Liquidity risk,
- Risk related to strategy implementation,

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

- Change in the evaluation of the credibility of the Trakcja PRKiI Group,
- Change in the debt of the Trakcja PRKiI Group,
- Sale or acquisition of assets by the Trakcja PRKiI Group,
- Material changes in the ownership structure of the Trakcja PRKiI 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 MATERIAL AGREEMENTS

3.1. Insurance agreements

Property insurance

The Company and the companies within the Group have signed standard insurance policies covering protection of movable assets against damage as well as third party liability insurance in relation to the carried out business activities and owned assets, as well as construction risks insurance agreements, with the following insurance companies: Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A., Towarzystwo Ubezpieczeń i Reasekuracji AXA S.A., STU Na Życie Ergo Hestia S.A, PZU Lietuva.

The attention should be drawn, in particular, to the following agreements:

- Property insurance agreement against all risks concluded by the Company with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. The sum insured is PLN 83,926 thousand. Expiry date of insurance policy: 10 April 2014.
- civil liability insurance agreement in connection with conducted business activity, concluded by the Company with STU Na Życie Ergo Hestia S.A. The sum insured is PLN 50,000 thousand. Expiry date of insurance policy: 31 December 2014.
- all risk insurance for the rolling stock, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. The sum insured is PLN 20,167 thousand. Expiry date of insurance policy: 10 April 2014.
- insurance agreement for construction risks connected with performance of works under the following contracts:
    - *Design and performance of construction works on the railway line Kraków – Medyka – state border, section Podłęże - Bochnia at km 16,000 – 39,000*, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and Powszechny Zakład Ubezpieczeń S.A. The total sum insured is PLN 760,436 thousand. Expiry date: 03 March 2015.
    - *Performance of construction works in modernization of line no. 9, section from km 236,920 to km 287,700 covered by the area of Local Steering Centre based in Malbork*, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and AXA Polska S.A. The total sum insured is PLN 1,068,740 thousand. Expiry date: 30 September 2014.

- *Design and performance of the reconstruction of the Łódź Widzew station and a part of the route Łódź Fabryczna – Łódź Widzew from km 2,250 to km 7,200 along with rail traffic steering device and telecommunications for the entire section Łódź Fabryczna – Łódź Widzew, and modernization of the derouting line Łódź Widzew – Łódź Chojny - Łódź Kaliska*, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and InterRisk Towarzystwo Ubezpieczeń S.A. The total sum insured is PLN 297,823 thousand. Expiry date: 31 December 2014.
- *Design and construction of technical infrastructure – Łódzka Kolej Aglomeracyjna Sp. z o.o.*, concluded with Ergo Hestia S.A. The total sum insured is PLN 19,274 thousand. Expiry date: 31 January 2015.
- *Construction of a trolleybus station with power feed and "Zana" substation, and reconstruction of road lighting within the project: Integrated System of Public City Transport in Lublin*, concluded with Ergo Hestia S.A. The total sum insured is PLN 11,014 thousand. Expiry date: 30 September 2014.

- all risk insurance for the gravel cleaner RM 80-750 Plasser & Theurer, concluded by the Company with AXA Towarzystwo Ubezpieczeń i Reasekuracji S.A. The sum insured is PLN 30,600 thousand. Expiry date of insurance policy: 16 April 2014.
- full risk insurance for the rolling stock concluded by the Company with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and STU na Życie Ergo Hestia S.A. The sum insured is PLN 21,910 thousand. Expiry date of insurance policy: 25 April 2014.
- full property insurance concluded by the Company with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and STU na Życie Ergo Hestia S.A. The sum insured is PLN 9,065 thousand. Expiry date of insurance policy: 25 April 2014.
- civil liability insurance agreement in connection with conducted business activity, concluded by the Company with STU Na Życie Ergo Hestia S.A. The sum insured is PLN 10,000 thousand. Expiry date of insurance policy: 31 March 2014.
- insurance agreement for construction equipment and machines concluded by the Company with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and STU na Życie Ergo Hestia S.A. The sum insured is PLN 9,846 thousand. Expiry date of insurance policy: 25 April 2014.
- civil liability insurance in connection with conducted business activity of PEUIM and its subsidiaries, concluded by the subisidiary PEUIM Sp. z o.o. with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. The sum insured is PLN 10,000 thousand. Expiry date of insurance policy: 31 March 2014.
- civil liability insurance in connection with conducted business activity of Dalba Sp. z o.o. concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. The sum insured is PLN 10,000 thousand. Expiry date of insurance policy: 31 March 2014.
- insurance agreement for construction equipment and machines concluded by Bahn Technik Wrocław Sp. z o.o. with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and STU na Życie Ergo Hestia S.A. The sum insured is PLN 11,976 thousand. Expiry date of insurance policies: 2 June 2014 - 23 December 2014.
- full property insurance concluded by the subsidiary AB Kauno Tiltai AB with UAB DK "PZU Lietuva". The sum insured is PLN 71.008 thousand. LTL. Expiry date of insurance policy: 30 November 2014.
- all risk insurance concluded by the subsidiary AB Kauno Tiltai AB with UAB DK "PZU Lietuva". The sum insured is PLN 52.108 thousand. LTL. Expiry date of insurance policy: 30 November 2014.
- civil liability insurance in connection with conducted business activity of Kauno Tiltai AB concluded by the subsidiary with UAB DK "PZU Lietuva". The sum insured is PLN 172.920 thousand. LTL. Expiry date of insurance policy: 30 November 2014.
- insurance agreement for construction and assembly risks concluded by the subsidiary AB Kauno Tiltai AB with UAB DK "PZU Lietuva". The sum insured is PLN 291,600 thousand. Expiry date of insurance policy: 30 November 2014.

Personal insurance

Companies from our Group have signed standard insurance policies covering the protection of third party liability insurance for members of the corporate bodies of the Company and companies within the Group.

3.2. Collaboration and cooperation agreements

The framework agreements on cooperation regarding financial market transactions concluded by the companies within the Group with Alior Bank SA, BZ WBK SA. and Nordea Bank Polska S.A. The subjects of those agreements cover the rules for cooperation in the scope of entering into financial market transactions between the companies within the Group and the banks. On May 5, 2013, the Company Trakcja PRKiI S.A. signed a factoring agreement with recourse for an indefinite period with mFaktoring S.A.

4. INFORMATION ON CREDITS AND LOANS

As of the balance sheet day, the Trakcja PRKiI Capital Group had the following credits and loans:

Company name	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	60 000	PLN	31-03-2014	WIBOR O/N + margin	60 000
Trakcja PRKiI S.A.	Alior Bank S.A.	purpose loan for the contract	15 000	PLN	31-03-2014	WIBOR 1M + margin	15 000
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	20 000	PLN	31-03-2014	WIBOR O/N + margin	13 200
Trakcja PRKiI S.A.	Bank Zachodni WBK S.A.	investment	18 000	PLN	31-03-2017	WIBOR 1M + margin	11 568
Trakcja PRKiI S.A.	Bank Zachodni WBK S.A.	investment	7 200	PLN	30-09-2015	WIBOR 1M + margin	2 291
Trakcja PRKiI S.A.	mBank S.A.	overdraft	10 000	PLN	29-01-2015	WIBOR O/N + margin	5 802
Trakcja PRKiI S.A.	mBank S.A.	working capital	12 000	PLN	31-07-2014	WIBOR 1M + margin	4 095
PRK 7 Nieruchomości Sp. z o.o.	Bank Ochrony Środowiska S.A.	investment	16 995	PLN	31-10-2014	WIBOR 1M + margin	10 780
Bahn Technik Wrocław Sp. z o.o.	L.Weiss International	loan from other entities	320	EUR	31-07-2014	fixed interest rate	342
AB Kauno Tiltai	Nordea Dnb	investment	5 685	EUR	01-04-2016	EURIBOR 3M + margi	16 406
AB Kauno Tiltai	Nordea Dnb	investment	6 668	EUR	01-04-2015	EURIBOR 3M + margi	12 071
AB Kauno Tiltai	Nordea Dnb	investment	2 285	EUR	01-04-2015	EURIBOR 3M + margi	5 871
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	3 486	LTL	25-05-2014	non-interest bearing	2 637
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	3 105	LTL	30-05-2014	non-interest bearing	2 528
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	906	LTL	25-11-2014	non-interest bearing	998
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	500	LTL	25-05-2014	non-interest bearing	375
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	2 649	LTL	25-09-2014	non-interest bearing	2 386
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	2 150	LTL	25-06-2014	non-interest bearing	2 258
						Total	**168 608**

5. INFORMATION ON LOANS GRANTED IN THE FINANCIAL YEAR

The table below presents a list of loans granted by the Companies from the Capital Group in 2013, including loans granted to related entities.

Lender	Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
Trakcja PRKiI S.A.	PEUIM Sp. z o.o.	900	PLN	31.12.2014	oprocentowanie stałe	900	spółka zależna
Trakcja PRKiI S.A.	PEUIM Sp. z o.o.	500	PLN	31.12.2014	oprocentowanie stałe	500	spółka zależna
Trakcja PRKiI S.A.	PEUIM Sp. z o.o.	700	PLN	31.12.2013	oprocentowanie stałe	-	spółka zależna
PRK7 Nieruchomości	Trakcja PRKiI S.A.	4 500	PLN	31.12.2013	WIBOR 1M + marża	-	spółka zależna
UAB Pletros investicijos	Palangos aplinkkelis UAB	60	LTL	31.12.2013	oprocentowanie stałe	-	spółka zależna
UAB Pletros investicijos	Palangos aplinkkelis UAB	480	LTL	31.12.2013	oprocentowanie stałe	-	spółka zależna

6. CONTINGENT RECEIVABLES AND LIABILITIES

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Contingent receivables			
From related entities due to:	**716**	**2 385**	**121 488**
Received guarantees and sureties	716	2 385	121 488
From related entities due to:	**182 355**	**125 052**	**248 550**
Received guarantees and sureties	167 837	111 804	232 456
Bills of exchange received as collateral	14 518	13 248	16 094
Total contingent receivables	**183 071**	**127 437**	**370 038**
From related entities due to:			
From related entities due to:	**716**	**2 385**	**121 488**
Provided guarantees and sureties	716	2 385	121 488
From other entities due to:	**3 079 960**	**3 445 789**	**1 529 795**
Provided guarantees and sureties	598 324	542 542	778 088
Promissory notes	494 443	554 184	438 602
Mortgages	237 118	304 624	188 127
Assignment of receivables	1 575 012	1 810 490	239
Assignment of rights under insurance policy	72 694	74 643	68 233
Security deposits	58 336	49 132	3 769
Other liabilities	44 034	110 174	52 737
Total contingent liabilities	**3 080 676**	**3 448 174**	**1 651 283**

Contingent liabilities on account of guarantees and suretyships granted to other entities are mainly guarantees issued by banks to contracting parties of the Companies from the Group for the purpose of securing their claims with regard to the Group on account of the performed construction contracts (performance bonds, retention bonds, advance payment refund guarantees). The banks have the right of recourse on account of the above against the companies from the Group. Promissory notes are another form of securing bank guarantees referred to above.

7. INFORMATION ON CREDIT OR LOAN GUARANTEES GRANTED BY THE ISSUER OR ITS SUBSIDIARY.

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 ths. PLN)	Period for which the guarantee was granted	Nature of relationships between Trakcja PRKiI S.A. and the entity taking out credit or loan	Financial terms of guarantee granted
Trakcja PRKiI	PEUIM Sp. z o.o.	2 385	14.11.2014	subsidiary	free

8. AGREEMENTS CONCLUDED BETWEEN THE PARENT COMPANY AND MANAGERS

The Parent Company of the Group concluded employment contracts with the Management Board members, which provide for compensation equal to 12 basic monthly salaries, if those agreements are terminated prematurely.

Trakcja PRKiI S.A. concluded non-competition agreements with members of the Management Board; the agreements provide – for a period of one year from the day of terminating the employment relationship – for compensation in an amount of 100 percent of the average monthly remuneration which a Management Board member is entitled to on the basis of employment contract in the last year of their employment in Trakcja S.A. in a case of earlier termination of these contracts.

9. REMUNERATION OF THE MANAGEMENT BOARD MEMBERS AND SUPERVISORY BOARD MEMBERS

The table below presents the total amount of remunerations and other benefits of the parent company's Management Board members in 2013.

		In the Parent Company	In subsidiaries	Total
Roman Przybył	President of the Board	987	180	1 167
Marita Szustak	Vice-president of the Board	758	-	758
Stefan Dziedziul	Vice-president of the Board since 28.11.2013	550	-	550
Nerijus Eidukevičius	Vice-president of the Board	60	-	60
Tadeusz Kałdonek	Vice-president of the Board	508	-	508
Jarosław Tomaszewski	Vice-president of the Board since 28.11.2013	125	-	125
Rodrigo Pomar López	Vice-president of the Board till 12.06.2013	1 490	-	1 490
Maciej Radziwiłł	President of the Board till 21.06.2012	-	240	240
Tadeusz Bogdan	Vice-president of the Board till 19.09.2012	525	-	525
Tadeusz Kozaczyński	Vice-president of the Board till 31.08.2012	671	-	671
Dariusz Mańkowski	Vice-president of the Board till 19.09.2012	651	-	651
Total		**6 325**	**420**	**6 745**

The amount of PLN 6,325k was charged to the expenses of the Parent Company and the remaining amount, i.e. PLN 420k was charged to the expenses of the subsidiaries.

The table below presents the remunerations of the Parent Company's Supervisory Board members in 2013.

		31.12.2013	31.12.2012
Maciej Radziwiłł		120	-
Tomasz Szyszko	(till 29.06.2012)	-	30
Paweł Ziółek	(till 29.06.2012)	-	30
Andrzej Bartos	(since 12.06.2013)	33	-
Wojciech Napiórkowski		66	33
Alvydas Banys	(till 12.06.2013)	22	33
Julius Stalmokas		66	33
Miquel Llevat Vallespinosa		-	-
Jorge Miarnau Monserrat		-	-
Fernando Perea Samarra	(since 12.06.2013)	-	-
Total		**307**	**159**

10. INFORMATION ABOUT THE SHAREHOLDING AND SHARES

10.1. Shareholding structure

According to the Issuer Management Board knowledge, status of shareholders possessing directly or by the agency of subsidiaries at least 5% of the general votes at the General Assembly of Shareholder at the day of publication of the Statement is as follows:

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	118 418 237	28,80%	118 418 237	28,80%
ING OFE	60 846 729	14,80%	60 846 729	14,80%
OFE PZU	34 797 195	8,46%	34 797 195	8,46%
Pozostali akcjonariusze	197 134 223	47,94%	197 134 223	47,94%
Razem	**411 196 384**	**100,00%**	**411 196 384**	**100,00%**

10.2. Information on the number of shares of the parent company and shares in related parties held by persons managing and supervising the parent company

The total number of the Issuer's shares is 411,196,384, and their total nominal value is PLN 41,119,638.40.

As of the day of publication of this report, the shares of the Issuer held by its managing and supervising persons were as follows (the nominal value of 1 share equals PLN 0,10) :

First name and surname	Function	Number of shares	Nominal value of shares held in PLN	% in the shareholding
Maciej Radziwiłł	Przewodniczący Rady Nadzorczej	280	28	0,000%
Roman Przybył	Prezes Zarządu	10 000	1 000	0,002%
Marita Szustak	Wiceprezes Zarządu	500 000	50 000	0,122%
Nerijus Eidukevičius	Wiceprezes Zarządu	2 626 167	262 617	0,639%
Tadeusz Kałdonek	Wiceprezes Zarządu	2 550 960	255 096	0,620%

To the knowledge of the Management Board of the Issuer, the remaining members of the Management Board and Supervisory Board, as of the day of publication of this report, do not hold shares of the Issuer.

From the date of the previous quarterly report, ie from November 4, 2013, there were changes of shares held by managers and supervisors.

On December 5, 2013, the Company received notification from Mr. Nerijus Eidukevičius acting as Vice President of the Company for the sale of 381 584 shares as a result of the transaction on the Stock Exchange in Warsaw on December 3, 2013.

The Company's Management Board members or Supervisory Board members do not hold shares in any entities within the Capital Group.

10.3. Information about agreements which may result in changes to the proportions of shares held by the current shareholders

As at December 31, 2013 there were no contracts, which may result in changes in the proportion of shares held by existing shareholders.

10.4. Information about the control systems for employee share programmes

The Trakcja PRKiI Group did not implement any employee share programmes.

10.5. Information about acquisition of own shares

In 2013, Trakcja PRKiI S.A. did not acquire own shares.

11. IMPORTANT COURT AND DISPUTABLE CASES

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 PRKiI S.A., except for the following proceedings:

11.1. Court cases

Case of shareholder against Trakcja PRKiI S.A.

After the balance sheet date, the Management Board of Trakcja PRKiI S.A., in the current report no. 6/2014 of 10 March 2014 informed, in reference to the current report no. 1/2013 of 3 January 2013, about having received a decision of the Regional Court in Warsaw about closing the proceedings (notified by the Company in the aforementioned report) brought by a Company shareholder – a private individual – against the Company concerning stating invalidity of resolutions undertaken on 12 December 2012 on the Extraordinary Shareholders Meeting i.e.: (i) resolution no. 4 on issue of bonds exchangeable to shares series H, and (ii) resolution no. 5 on conditional increase of share capital, cancellation of subscription rights of existing shareholders, and change of the Company's Articles of Association.

11.2. Disputes

Agreement between PNI and PRKiI

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

Pursuant to the aforementioned agreement, the parties represented and confirmed that they have no claims against each other due to contractual penalties and interest thereon, and if such claims arise up to the date of concluding the aforementioned agreement the parties waive the same, unless expressly provided otherwise in the agreement.

The Parties represented that existing mutually charged contractual penalties are deemed non-existent save for PRKiI receivables in the PNI bankruptcy proceedings defined in the notification; PNI questions the existence of these penalties. Waiver of claims, including contractual penalties, does not concern any claims of PRKiI which arose before the date of announcement of PNI's bankruptcy and by law covered by an arrangement, indicated in PRKiI claims notification.

Conclusion of an agreement between PNI and Trakcją

On 22 April 2013 an agreement was concluded between PNI Sp. z o.o. and Trakcja S.A. on cooperation during the Contract for the performance of construction works in modernization of the railway line no. at the section from km 236.920 to km 287.700 included in the zone of the Local Steering Centre based in Malbork within the scope of the Project POIiŚ 7.1 - 1.3 "Modernization of the Railway Line E65/C - E 65 at the section Warsaw - Gdynia area LCS Iława and LCS Malbork.".

Pursuant to the above agreement, the parties offset mutual claims, and as a result Trakcja S.A. undertook to pay to PNI Sp. z o.o. PLN 12 063 910.94 gross. The payment was made on time.

Pursuant to par. 1 item 2, payment by Trakcja S.A. of the aforementioned amount on time and execution of obligations defined in § 2 of this agreement (releasing PNI from penalties /damages arising due to non-performance/improper performance of the Contract up to PLN 1 million, overtaking rights under the quality warranty and good performance bond, releasing PNI from incurring costs during the expanded period of the Contract term) exhausts all PNI claims due to the execution of the Consortium Agreement and mutual execution of orders by the parties. In addition PNI waived any further claims towards Trakcja S.A. on the condition of payment of the aforementioned amount.

Conclusion of the agreement results in an expiry of existing and future liabilities between the parties, which arose or may arise in connection with the Executive Agreement or the Consortium Agreement, and joint execution of the order. The parties hereby waive all claims covered by the arrangement due based on, or in connection with, the conclusion, performance or termination of the Executive Agreement, Consortium Agreement and joint execution of the order, and claims which may arise in the future on this account.

In addition, PNI found the liability charged to Trakcja S.A. with the accounting note no. 0018/1C/670132/ 01/03/2013 of 29 March 2013 at PLN 60 million as non-existent.

After the conclusion of the aforementioned agreement, on 22 August 2013, PNI modified its claim by withdrawing a part of the suit i.e. limiting the amount to PLN 6 709 526.44. In the light of Trakcja PRKiI S.A. meeting its obligations under the agreement of 22 April 2013, all claims of PNI against the company, in the opinion of the Management Board of the Dominant entity, have expired since PNI effectively and irrevocably waived its claims.

Payment of contractual penalty to Trakcja PRKiI S.A. by PKP Polskie Linie Kolejowe S.A.

In connection with the execution by the Consortium, i.e. Trakcja S.A., Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., ZUE S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o., Zakład Robót Komunikacyjnych DOM in Poznan Sp. z o.o., for PKP Polskie Linie Kolejowe S.A. based in Warsaw (hereinafter "Contracting Authority") of the Agreement of 31 May 2010 for construction works in complex modernization of stations and routes in the area of LCS Działdowo within the scope of the project POIiŚ 7.1-41: "Modernization of the railway line E-65/C-E 65 at the section Warszawa - Gdynia – area LCS Działdowo" ("Agreement"), of which the Company notified in the current report no. 9/2010 of 31 May 2010, the Company on 21 June 2013, acting on behalf of the Consortium issued- pursuant to the Agreement, a debit note amounting to PLN 95 297 116.95 for imposition on the Contracting Authority of a contractual penalty due in connection with the Contracting Authority's failure to meet the contractual date for delivering the construction site, with the payment term of 14 days from receipt.

In the light of a lack of timely payment of the above contractual penalty, by the Contracting Authority, the Company, on behalf of the Consortium on 20 June 2013 filed, via Poczta Polska S.A., to the District Court for Warszawa Praga- Północ in Warsaw, VII Economic Division, a request for arrangement hearing addressed to PKP Polskie Linie Kolejowe S.A. based in Warsaw, as notified in the current report no. 61/2013 of 21 June 2013.

Up to the balance sheet date or thereafter the Contracting Authority did not make a payment to the Company nor has concluded an arrangement in this scope.

12. TRANSACTIONS WITH RELATED ENTITIES

All transactions of the parent company or its subsidiaries with the related parties were made at arm's length.

Detailed information about the transactions with related parties has been presented in Note No. 59 to the *Consolidated Annual Financial Statements of the Trakcja PRKiI Capital Group.*

13. IMPORTANT ACHIEVEMENTS IN THE AREA OF RESEARCH AND DEVELOPMENT

The scope of business activities of the Trakcja PRKiI Group does not require any significant works in the area of research and development to be carried out.

14. INFORMATION ABOUT THE ENTITY ACTING AS THE CERTIFIED AUDITOR

The entity authorized to examine the statement of the Group and mother company is BDO Sp. z o.o. with the seat in Warsaw ul. Postępu 12.

On August 22, 2013, the mother company concluded a contract with BDO Sp. z o.o. to:

- Review the semi-annual unitary and consolidated financial statement made as per June 30, 2013 according to the International Accountancy Standards.
- Examine the annual unitary and consolidated financial statement made as per December 31, 2013 according to the International Accountancy Standards.

The amount of remuneration for the examination and review of the statements and other, is presented in the blow table.

data in k PLN

	Financial year ended	
	31.12.2013	**31.12.2012**
On account of agreement for financial statement audit	110	207
On account of agreement for financial statement review	55	121
On account of tax advisory	9	-
On account of other agreements	10	38
Total	**184**	**366**

Warsaw, 21 March 2014

15. REPORT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES

15.1. Indication to what extent the Parent Company refrained from applying certain provisions of the corporate governance rules, specification of such provisions and explanation of the reasons for such non-application

The Parent Company undertook to observe the corporate governance rules specified in the document entitled "Good Practices of Companies Listed on the WSE", except for the following rules:

1. *Rule referred to in part I item 1 of the Good Practices*

The Company should follow a transparent and effective information policy using both traditional methods and modern technologies and also the most advanced communication tools providing for speed, security and effective access to information.

Applying the aforementioned methods as widely as possible, the Company should, in particular:

- Have its own website, whose scope and presentation method should be modelled on the sample investor relations template available at: http://naszmodel.gpw.pl/;

- Provide for adequate communication with investors and analysts using modern Internet communication methods for that purpose;

- Allow for the general meetings to be transmitted via Internet and also record them and make them available to public at its Internet website.

The Parent Company did not apply the aforementioned rule.

Explanation:

Our Company observes this rule partially. The Company's website is not based on the model service available at: http://naszmodel.gpw.pl/; its layout and contents, however, are to a great extent consistent with those presented in the model service. Adequate communication with investors and analysts is maintained using telephone connections and by e-mail. The Company does not intent to implement any new communication methods, as the ones used so far have been, in its opinion, sufficiently effective. The Company does not allow for the general meetings to be transmitted via Internet, does not record them and does not make them available to public at its Internet website. The Company does not have any effective and reliable technological tools to transmit and record video and sound. Due to the fast technological development and attractive offers of external companies, the Company does not exclude the possibility of transmitting and making available to public the recording of its general meetings in the future.

2. *Rule referred to in part I item 5 of the Good Practices*

The Company should have a remuneration policy and follow rules for its adopting. The remuneration policy should, in particular, specify the form, structure and level of remunerations for members of the management and supervisory bodies. While determining the remuneration policy for members of the management and supervisory bodies, the Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), complemented with Commission Recommendation of 30 April 2009 (2009/385/EC) should be applied.

The Parent Company did not apply the aforementioned rule.

Explanation:

The remuneration policy for all employees of our Company is set forth in the Remuneration Regulations. The remunerations for members of the management and supervisory bodies are determined by the General Meeting of Shareholders and the Company's Supervisory Board. The Company will consider the possibility to comply with the aforementioned rule in the future.

3. *Rule referred to in part I item 9 of the Good Practices*

The WSE recommends to public companies and their shareholders equal share of women and men in their management and supervisory bodies, which also intensifies creativity and innovation of the Company's business activities.

The Parent Company did not apply the aforementioned recommendation.

Explanation:

Due to the nature of the Company's industry, the application of that recommendation is difficult. The Company will consider the possibility to comply with the aforementioned recommendation in the future.

4. *Rule referred to in part I item 10 of the Good Practices*

If the company supports various types of artistic and cultural expression, sports or educational or scientific activities and perceives its activities in these areas as an element of its business mission and development strategy which affects the innovativeness and competitiveness of the enterprise, it is a good practice to publish, in a manner adopted by the company, the rules governing its activities in the areas referred to above.

The Parent Company did not apply the aforementioned recommendation.

Explanation:

The Company supports sports and informs about such activities regularly through its website. The Company, however, does not publish any rules governing its activity in this field as the support of the Company is limited to specific projects and is not cyclical in nature. The Company will consider the possibility to comply with the aforementioned rule in the future.

5. *Rule referred to in part I item 12 of the Good Practices*

The Company should ensure that its shareholders may participate in person or by proxy to vote during the general meeting.

The Parent Company did not apply the aforementioned recommendation.

Explanation:

The use of the aforementioned means of communication is, in the Company's opinion, risky due to potential technical problems. The Company will consider the possibility to comply with the aforementioned rule in the future.

6. *Rule referred to in part II item 3 of the Good Practices*

Before the company concludes a significant agreement with a related entity, its Management Board should request the approval of the transaction/agreement by the Supervisory Board. This obligation does not apply to typical transactions made at arm's length in the framework of the operating business by the company with a subsidiary, in which the company holds a majority stake. For the purpose of these rules, the definition of the related entity is adopted within the meaning of the Regulation of the Minister of Finance issued under Article 60, paragraph 2 of the Act on Public Offering and on Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies of 29 July 2005 (Journal of Laws No. 184, item 1539, as amended).

Our Company did not apply the above rule.

Explanation:

Our Company observes this rule partially. Our Company's Statute requires the Supervisory Board's consent to conclude any agreements, transactions or several related agreements or transactions with related entities, in line with the definition adopted in Article 4 § 1, paragraphs 4 and 5 of the Commercial Companies Code (except for agreements and transactions with entities within the Company's Capital Group), if their value exceeds the limits determined by the Supervisory Board. Due to the fact that not all transactions/agreements with the related entities referred to in the rule set forth in part II item 3 of the Good Practices will require the approval of the Supervisory Board, we cannot assure that our Company observes this rule.

7. *Rule referred to in part III item 9 of the Good Practices*

Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires to be approved by the Supervisory Board.

The Parent Company applied the above rule partially.

Explanation:

Our Company observes this rule partially. This rule may only be adopted in its entirety together with the rule referred to in part II item 3 of the Good Practices which has not been adopted for application by our Company for the reasons presented above.

15.2. Description of the manner of operation of the General Meeting of Shareholders, its basic rights, description of shareholder's rights and the manner of exercising them

The Company's General Meeting of Shareholders operates on the basis of provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the General Meeting of Shareholders. The GMS is convened through announcements made at the Company's website and in the manner specified for publication of current information according to the regulations on the public offering and conditions for introducing financial instruments to organized trading and on public companies. Unless the provisions of the Commercial Companies Code or the Statute of the Company provide otherwise, the GMS resolutions are adopted by an absolute majority of the votes; however, resolutions on:

1) liquidation of the Company;
2) increasing the share capital of the Company, remission of shares in the Company and decreasing the share capital of the Company;
3) issuing convertible bonds or other securities giving their holder voting rights;
4) granting options with rights to take up shares or other securities of the Company and determining the terms of such options;
5) cancellation of Shareholders' pre-emptive rights with regard to newly issued shares;
6) sale of the enterprise or an organised part thereof;
7) dismissing or suspending members of the Management Board or Supervisory Board;
8) merger between the Company and another company, division or transformation of the Company;
9) cancellation of the dematerialisation of shares in the Company;
10) changes to the Statute;

are adopted by a majority of 2/3 (two-thirds) of votes cast, or by a greater majority if the required by relevant provisions. Subject to the relevant provisions o the Company's Statute, the General Meeting appoints members of the Supervisory Board of the Company. Apart from the matters listed above, the GMS resolutions must be adopted in matters specified in the Commercial Companies Code, especially in the matter of examining and approving the Management Board's report on the Company's and capital group's activities and the financial statements for the previous financial year, discharging members of the Company's corporate bodies on the performance of their duties, distribution of profit or covering of loss, selling or leasing the enterprise or its organised part and establishing limited right in rem, issuing senior bonds, establishing and liquidating reserve capital; in case of the Company's liquidation, the GMS appoints liquidators and specifies the manner of conducting the liquidation process. The Management Board submits drafts of the GMS resolutions to the Supervisory Board for its prior opinion. The shareholders may participate in the GMS and exercise their voting rights in person or represented by their proxies. The Company's Management Board members and the members of the Supervisory Board participate in the GMS. If the GMS has any financial matters in its agenda, a certified auditor should be present. Media may participate in the GMS, unless the subject matter of the meeting indicates that their presence might cause damage to the Company. A motion to approve presence of media representatives is submitted to voting by the Chairman of the GMS immediately after the attendance list is signed.

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

15.3. Composition and operating principles of the Company's management and supervisory bodies and their committees

15.3.1. The Management Board

As of the publication of this report, the Company's Management Board consisted of:

- Roman Przybył - President of the Management Board,
- Marita Szustak - Vice President of the Management Board,
- Stefan Dziedziul - Vice President of the Management Board,
- Nerijus Eidukevičius - Vice President of the Management Board,
- Tadeusz Kałdonek - Vice President of the Management Board,
- Jarosław Tomaszewski - Vice President of the Management Board.

In the last financial year, Mr. Pomar Rodrigo López left on June 12, 2013 the Management Board. Pursuant to Resolution No. 2 of the Supervisory Board he was dismissed from the position of Vice President. In the last financial year 2 members joined to the Management Board. On November 28, 2013 Mr. Jarosław Tomaszewski and Mr. Stefan Dziedziul were appointed by the Supervisory Board to the position of Vice President.

After the balance sheet date, no changes in the Management Board composition took place.

The Company's Management Board operates on the basis of provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Management Board. In accordance with the Company's Statute, the Management Board is comprised of no more than 10 people, elected by the Supervisory Board and dismissed by the Supervisory Board or the General Meeting by a majority of 2/3 of votes cast; the General Meeting may also suspend members of the Management Board.

The Management Board members are appointed for a period of a 3-year mutual term of office. The Supervisory Board sets and changes remunerations and determines other terms and conditions of employment of the Management Board members. Pursuant to the Statute, the Management Board manages the Company's affairs and represents the Company in external relationships. The Management Board has the authority to decide on matters which have not been reserved for competences of the General Meeting of Shareholders or the Supervisory Board. The resolutions of the Management Board are adopted by an absolute majority of the votes of members of the Management Board present at the meeting or participating in voting. If there is no majority, the vote of the President of the Management Board shall prevail. Two Management Board members acting jointly or one Management Board member together with the authorised signatory [prokurent] are authorised to make representations and to sign documents on behalf of the Company. An attorney is authorised, pursuant to a resolution adopted by the Management Board, to take certain actions on behalf of the Company (to the extent permitted by the power of attorney).

15.3.2. Authorised signatories

The Company's authorised signatories included:

- Elżbieta Okula – independent authorisation,
- Jan Sęktas – joint authorisation.

No new authorised signatories were appointed in the last financial year. In the last financial year was not However, after the balance sheet date on January 21, 2014 the Board of the Company adopted a resolution on the appointment of proxies in the person of Mr. Peter Sykuły and Mr Marek Mazur. Consent to the appointment of proxies was expressed by the Supervisory Board in its resolution of February 12, 2014. The granted power of attorney are cumulative, together with a member of the Board.

The authorised signatories act on the basis of provisions of the Civil Code, Commercial Companies Code, the Company's Statute and the Company's internal regulations.

15.3.3. Supervisory Board

The Company's Supervisory Board consists of:

- Maciej Radziwiłł – Chairman,
- Julijus Stalmokas – Chairman Deputy,
- Jorge Miarnau Montserrat – Member of the Supervisory Board,
- Miquel Llevat Vallespinosa – Member of the Supervisory Board,
- Wojciech Napiórkowski – Member of the Supervisory Board,
- Fernando Perea Samarra – Member of the Supervisory Board,
- Andrzej Bartos – Member of the Supervisory Board.

In the last financial year, the Supervisory Board, due to the expiration of its term, has changed as follows. On June 12, 2013, the Ordinary General Meeting of Shareholders appointed: Mr. Andrzej Bartos as Member of the Supervisory Board, Mr. Wojciech Napiórkowskiego Member of the Supervisory Board and Mr. Julijus Stalmokas a Member of the Supervisory Board.

On June 12, 2013 COMSA SA based in Barcelona, which is a shareholder of the Company, acting pursuant to art. 13 paragraph. 4 of the Statute of the Company has appointed: Mr. Jorge Miarnau Montserrat for a Member of the Supervisory Board, Mr. Miquel Llevat Vallespinosa for a Member of the Supervisory Board, Mr. Maciej

Radziwiłł for a Member of the Supervisory Board and Mr. Fernando Perea Samarra for a Member of Supervisory Board of the Company.

After the balance sheet date no changes in the composition of the Supervisory Board took place.

The Company's Supervisory Board operates on the basis of provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Supervisory Board. At present, the Supervisory Board consists of 7 members. The Supervisory Board is now composed of its Chairman, Chairman Deputy and other members. The term of office of the Supervisory Board is three years.

The main shareholder, COMSA S.A., has the right to appoint and dismiss four members of the Supervisory Board through a written statement submitted to the Company. If the number of the Supervisory Board members is greater or smaller than seven due to an amendment of Article 13.1 of the Statute or the applicable provisions of the law, COMSA S.A. has the right to appoint and dismiss 50% of the Supervisory Board members (rounded down to an integer) and one additional Supervisory Board member.

One of the Supervisory Board members appointed by the General Meeting should meet the following independence requirements:

1) they should not be member of the Management Board of the Company or of a related company, and should not have performed such a fuction within the five preceding years;

2) they should not be employee of the Company or of a related company, and should not have performed such a fuction within the three preceding years;

3) they should not, at present or in the past, receive material additional remuneration from the Company or a related company, apart from the remuneration on account of performing the function of a Supervisory Board member;

4) they should not be or in any way represent a majority shareholder or any shareholder having at least 5% of votes at the General Meeting;

5) they should not, at present or in the preceding year, have significant business relations with the Company or a related company, both directly or as a partner, shareholder, director or key employee of an entity having such relations;

6) they should not, at present or in the three preceding years, be a partner or employee of the current or previous external auditor of the Company or a related company;

7) they should not be a managing or executive director of another company in which a member of the Company's Management Board is a non-executive or supervising director, and should not have any material relations with members of the Company's Management Board through activity in other companies or entities;

8) they should not perform the function of a member of the Supervisory Board for more than three terms of office;

9) they should not be a close relative of a managing or executive director or persons referred to in points from 1) to 8).

The Supervisory Board which does not have an independent Supervisory Board member, irrespective of the reasons of this situation, does not have the capacity to adopt resolutions in important matters.

If COMSA S.A. does not appoint a member (members) of the Supervisory Board within twenty-one days from the date of expiration of the mandate of a member (members) of the Supervisory Board appointed by COMSA S.A., such a member (members) of the Supervisory Board should be appointed and dismissed by the General

Meeting until the moment when COMSA exercises its right. If COMSA S.A. exercises its right to elect a Supervisory Board member, the mandate of the member (members) of the Supervisory Board elected by the General Meeting in accordance with this provision automatically expires, without affecting the term of office of the Supervisory Board.

The Supervisory Board, which due to the expiration of the mandate of a member (members) of the Supervisory Board (for reasons other than dismissal), is composed of less than seven, but at least five members, has the capacity to adopt resolutions in important matters until the appointment of the missing Supervisory Board members.

If the Supervisory Board is elected according to the procedure set out in Article 385 § 5 or 6 of the Commercial Companies Code, the Chairman is appointed by COMSA S.A. from among the candidates elected according to the procedure set out in Article 385 § 5 or 6 of the Commercial Companies Code.

The members of the Supervisory Board are appointed for the period of a joint term of office. The Supervisory Board or its individual members appointed by the General Meeting of Shareholders may be recalled by a resolution adopted by the General Meeting of Shareholders before the lapse of the Supervisory Board's term. If a Supervisory Board member is recalled during the term of office and another person is appointed to fill that his or her position, the term of office of the newly appointed person ends upon the lapse of the entire Supervisory Board's term of office. The same also applies when the entire Supervisory Board is recalled during its term of office and a new Supervisory Board is appointed and also when new members are additionally appointed to the Supervisory Board during its term of office. The Chairman and the Chairman Deputies are elected by the Supervisory Board from among its members.

The works of the Supervisory Board are managed by its Chairman and in the case of his/her absence by the Chairman Deputy. The members of the Supervisory Board can be reappointed for another term of office. The members of the Supervisory Board are€ involved in the activities of the Supervisory Board personally. The Supervisory Board may also adopt its resolutions without holding meetings of the Board, in writing or through the use of means of direct communication over distance. Meetings of the Supervisory Board are convened at least four times per year by its Chairman, who also chairs the meetings. In the absence of the Chairman, the meetings are chaired by the Chairman Deputy. The Chairman convenes the meetings of the Supervisory Board also upon a written motion of the Company's Management Board or the Supervisory Board member. The Chairman elects the secretary of the Supervisory Board. A resolution of the Supervisory Board may be adopted at a meeting, if all the board members have been invited in writing (such invitations should be delivered to the Supervisory Board members at least seven days before the day on which the meeting is to take place) and at least half of the members are present at the meeting, including the Chairman and at least one Chairman Deputy of the Supervisory Board. A meeting of the Supervisory Board may also be valid without being formally convened, if all the Supervisory Board members are present at the meeting and none of the members protests against such a meeting being held or against any of the matters included in the agenda. Subject to Article 388 § 4 of the Commercial Companies Code, the Supervisory Board may also adopt its resolutions in writing or through the use of means of direct communication over distance. In such a case a draft resolution should be presented to all the members of the Supervisory Board by the Chairman, and if the Chairman is absent by one of the Supervisory Board Chairman Deputies.

The Supervisory Board has the authority to continuously supervise the operations of the Company. The Supervisory Board's resolutions are required in matters reserved for the Supervisory Board in the Commercial Companies Code and in Articles 16 and 16A of the Company's Statute. The Supervisory Board appoints the Company's certified auditor. Unless the Company's Statute provides for any exceptions in this respect, the Supervisory Board's resolutions are adopted by an ordinary majority of the votes. If there is no majority, the vote of the Chairman of the Supervisory Board prevails.

On July 25, 2013, the Supervisory Board appointed from among its members an Audit Committee composed of Mr. Wojciech Napiórkowski (Chairman of the Audit Committee), Mr. Fernando Perea Samarra (Member of the Audit Committee) and Mr. Maciej Radziwiłł (Member of the Audit Committee).

Detailed rules concerning the activities of the Supervisory Board are outlined in the Rules of the Supervisory Board adopted by the General Meeting.

15.4. Description of basic features of internal audit and risk management systems with reference to the process of drawing up consolidated financial statements

The Group prepares its financial statements in accordance with the applicable regulations, and in particular with the International Accounting Standards, International Financial Reporting Standards and any interpretations related thereto and published in the form of regulations of the European Commission, hereinafter referred to as the "IAS", as given in Article 2, item 3 of the Accounting Act of 29 September 1994 (as amended). Any issues not regulated in the IAS are governed by the provisions of the Accounting Act and the executive regulations issued on its basis. The Parent Company does not have a separate internal audit unit, and therefore any actions related to internal audit are taken by the Company's Management Board and employees.

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

In 2013, the Company Trakcja PRKiI S.A. kept accounting records in the computer system Impuls. The structure of the system ensures a clear division of powers, ensure consistency of accounting records and control between the reporting ledger, the main and auxiliary. The high flexibility of the system allows its ongoing adjustment to changing accounting principles or other legal norms.

The consolidated financial statements are prepared based on uniform consolidation packages prepared in an electronic form by the respective Capital Group companies. The data is consolidated by the Parent Company's Accounting Department under the supervision of the Chief Accountant.

One of the elements in the process of preparing the Group's financial statements is the verification of its financial statements by an independent auditor, whose tasks include in particular: review of the interim and audit of the annual financial statements - both stand-alone and consolidated - of the Parent Company. The independent auditor is selected by the Supervisory Board.

After the auditor completes the examination of the financial statements, they are sent to Supervisory Board's members and the Supervisory Board assesses their compliance with the ledgers and documents and also with the factual status. In addition, the findings of reviews or examinations carried out by the auditor are presented to the Supervisory Board and the General Meeting of Shareholders of Trakcja PRKiI SA.

15.5. Indication of the set of corporate governance rules applicable to the Parent Company and the place where it is publicly available

In 2013, Trakcja PRKiI S.A. applied the set of corporate governance rules collected in the document entitled "Good Practices of Companies Listed on the WSE" published in Appendix to the Resolution No. 12/1170/2007 of the WSE Supervisory Board dated 4 July 2007, amended by Appendix to the Resolution No. 19/1307/2012 dated 21 November 2012.

The document is available at the registered office of the Warsaw Stock Exchange and at its website devoted to corporate governance issues at http://corp-gov.gpw.pl and also at the Company's website in the "Investor Relations"/ "Corporate governance" tab.

15.6. Specification of shareholders holding directly or indirectly significant shareholdings

According to the Issuer Management Board knowledge, status of shareholders possessing directly or by the agency of subsidiaries at least 5% of the general votes at the General Assembly of Shareholder at the day of publication of the Statement is as follows:

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	118 418 237	28,80%	118 418 237	28,80%
ING OFE	60 846 729	14,80%	60 846 729	14,80%
OFE PZU	34 797 195	8,46%	34 797 195	8,46%
Other shareholders	197 134 223	47,94%	197 134 223	47,94%
Total	**411 196 384**	**100,00%**	**411 196 384**	**100,00%**

15.7. Specification of holders of any securities granting special controlling rights and description of such rights

All shares in the Company are ordinary shares providing no special rights.

15.8. Specification of any restrictions on voting rights

Resolutions at the General Meeting of Shareholders are adopted by an absolute majority of the votes cast, with the exception of the resolutions concerning:

1) liquidation of the Company;
2) increasing the share capital of the Company, remission of shares in the Company and decreasing the share capital of the Company;
3) issuing convertible bonds or other securities giving their holder voting rights;
4) granting options with rights to take up shares or other securities of the Company and determining the terms of such options;
5) cancellation of Shareholders' pre-emptive rights with regard to newly issued shares;
6) sale of the enterprise or an organised part thereof;
7) dismissing or suspending members of the Management Board or Supervisory Board;
8) merger between the Company and another company, division or transformation of the Company;
9) cancellation of the dematerialisation of shares in the Company;
10) changes to the Statute;

are adopted by a majority of 2/3 (two-thirds) of votes cast, or by a greater majority if the required by relevant provisions. Apart from the above restrictions and those following from the commonly applicable regulations, the Company's internal acts do not introduce any additional restrictions.

15.9. Specification of any restrictions on the transfer of the right to securities issued by Trakcja PRKiI S.A.

Apart from the restrictions following from the commonly applicable regulations, the Company's internal acts do not introduce any additional restrictions.

15.10. Description of rules for appointing and recalling managers and their competences, in particular the right to make decisions on issuing or redeeming shares

Pursuant to the Company's Statute, the Management Board is appointed and recalled by a resolution adopted by the Supervisory Board. Members of the Management Board may also be dismissed or suspended by the General Meeting by a majority of 2/3 of votes cast. The Management Board members are appointed for a period of a 3-year mutual term of office. Pursuant to the Statute, the Management Board manages the Company's affairs and represents the Company in external relationships. The Management Board has the authority to decide on matters which have not been reserved for competences of the General Meeting of Shareholders or the Supervisory Board. Two Management Board members acting jointly or one Management Board member together with the authorised signatory [prokurent] are authorised to make representations and to sign on behalf of the Company. An attorney is authorised, pursuant to a resolution adopted by the Management Board, to take certain actions on behalf of the Company (to the extent permitted by the power of attorney). The rules for making decisions on issuing or purchase of shares (increasing or decreasing the share capital) are reserved for the General Meeting, which adopts resolutions on these matters by a majority of 2/3 of votes cast.

15.11. Description of rules for making changes to the Statute of Trakcja PRKiI S.A.

The rules for making changes to the Company's Statute do not differ from the rules set forth in the commonly applicable provisions of law.

In the last year according to the resolution of the Extraordinary General Meeting as of November 27, 2013 adopted by the required majority of three quarters of votes Article 1 of the Articles of Association of the Company's business of the Company was amended. The amendments concerns the change of the name of the Company from Trakcja Spółka Akcyjna. to Trakcja PRKiI Spółka Akcyjna. Abbreviation of the company is: Trakcja PRKiI SA The Extraordinary General Meeting authorized the Board to prepare a uniform text of the Articles of Association of the Company, which was then adopted by resolution of the Supervisory Board of November 28, 2013.

Warsaw, March 21, 2014

Roman Przybył	Marita Szustak
President of the Board	Vice President of the Board
Stefan Dziedziul	Nerijus Eidukevičius
Vice President of the Board	Vice President of the Board
Tadeusz Kałdonek	Jarosław Tomaszewski
Vice President of the Board	Vice President of the Board

MANAGEMENT BOARD'S STATEMENT

To the best of our knowledge, the consolidated financial statements of the Trakcja PRKiI Capital Group for the period from January 1, 2013 to December 31, 2013 and the comparative data for the period from January 1, 2012 to December 31, 2012 have been prepared in compliance with the accounting principles in force and reflect the Group's assets and financial standing as well as its financial profit or loss in a true, reliable and clear manner. The Management Board's report on the activities of the Issuer's Capital Group presents a true picture of the development, achievements, risks, threats and condition of the Trakcja PRKiI Capital Group.

We also represent that the entity authorised to audit the financial statements which examines the annual consolidated financial statements of the Trakcja PRKiI Capital Group for the 12-month period ended 31 December 2013, BDO Sp. z o.o., was appointed in accordance with the provisions of law. That entity as well as the certified auditors, who conduct the audit, fulfilled the conditions for expressing an unbiased and independent opinion about the audit as required by the binding provisions of law and professional standards.

Roman Przybył	Marita Szustak
President of the Board	Vice President of the Board
Stefan Dziedziul	Nerijus Eidukevičius
Vice President of the Board	Vice President of the Board
Tadeusz Kałdonek	Jarosław Tomaszewski
Vice President of the Board	Vice President of the Board

Warsaw, March 21, 2014

GRUPA TRAKCJA

TRAKCJA CAPITAL GROUP

ANNUAL CONSOLIDATED FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR

ENDED ON 31 DECEMBER 2013

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

APPROVAL OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

The Management Board of Trakcja PRKiI S.A. has approved the consolidated financial statement of Trakcja PRKiI Capital Group for the period from 1 January 2013 to 31 December 2013.

The annual consolidated financial statement for the period from 1 January 2013 to 31 December 2013 was prepared according to the International Financial Reporting Standard (IFRS) approved by the European Union. Information included herein, is presented in the following sequence:

1. Consolidated profit and loss account for the period from 1 January 2013 to 31 December 2013 showing net profit amounting **37 916** thousand PLN.
2. Consolidated total income report for the period from 1 January 2013 to 31 December 2013 showing total income amounting **45 013** thousand PLN.
3. Consolidated balance sheet as per 31 December 2013 showing the assets and liabilities in amount **1 643 138** thousand PLN.
4. Consolidated cash flow statement for the period from 1 January 2013 to 31 December 2013 showing the decrease of cash balance by **39 368** thousand PLN.
5. Balance of changes in the consolidated equity for the period from 1 January 2013 to 31 December 2013 showing the increase of consolidated equity by **141 186** thousand PLN.
6. Additional information and explanations.

The annual consolidated financial statement is prepared in thousand Polish Zloty, except the items showing expressly otherwise.

Some financial and operational data, included herein, have been rounded. Because of that, some tables presented in the report show the sum of amounts in a given column or row that differ from the total amount given for such column or row.

Roman Przybył	Marita Szustak
President of the Board	Vice-president of the Board
Stefan Dziedziul	Nerijus Eidukevičius
Vice-president of the Board	Vice-president of the Board
Tadeusz Kałdonek	Jarosław Tomaszewski
Vice-president of the Board	Vice-president of the Board

Warsaw, 21 March 2014

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(amounts in thousand PLN, unless stipulated otherwise)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	1.01.2013 - 31.12.2013	1.01.2012 - 31.12.2012
			Modified*
Continued operations			
Sales revenues	**13**	**1 674 984**	**1 346 676**
Cost of goods sold	**14**	**(1 566 643)**	**(1 304 572)**
Gross profit on sales		**108 341**	**42 104**
Cost of sales, marketing and distribution	14	(7 366)	(7 519)
General and administrative costs	14	(51 683)	(50 967)
Other operating revenues	15	15 608	6 989
Other operating costs	16	(14 448)	(7 488)
Profit on the loss of control	17	46	45 149
Operating profit		**50 498**	**28 268**
Financial revenues	18	3 196	7 891
Financial costs	19	(20 719)	(35 530)
Gross profit		**32 975**	**629**
Income tax	20	(4 941)	13 146
Net profit from continued operation		**37 916**	**(12 517)**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit for the period		**37 916**	**(12 517)**
Attributable to:			
Shareholders of parent entity		37 706	(11 928)
Non-controlling interests		210	(589)
Profit per share attributable to shareholders in the period (PLN per share)			
Basic	21	0,10	(0,05)
Diluted	21	0,10	(0,05)

Modified) Change in accounting policy - details are described in Note 10 to these consolidated financial statements.*

(amounts in thousand PLN, unless stipulated otherwise)

CONSOLIDATED TOTAL COMPREHENSIVE INCOME REPORT

	Note	1.01.2013 - 31.12.2013	1.01.2012 - 31.12.2012 Modified
Net profit for the period		**37 916**	**(12 517)**
Other comprehensive income:			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		**4 444**	**(1 347)**
Profit from revaluation referred into revaluation reserve	10	5 762	-
Actuarial gains/(losses)	37	(1 318)	(1 347)
Other comprehensive income that will be reclassified to profit or loss:		**2 653**	**(11 512)**
Foreign exchange differences on translation of foreign operations		3 015	(11 512)
Cash flow hedging instruments	41	(362)	-
Total other comprehensive income	**20.2**	**7 097**	**(12 859)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**45 013**	**(25 376)**
Attributable to:			
Shareholders of Parent entity		44 895	(24 528)
Non-controlling interests		118	(848)

Modified) Change in accounting policy - details are described in Note 10 to these consolidated financial statements.*

(amounts in thousand PLN, unless stipulated otherwise)

CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.12.2013	31.12.2012 Modified*	1.01.2012 Modified*
Non-current assets		**719 824**	**699 000**	**855 782**
Tangible non-current assets	22	187 351	192 849	316 512
Intangible assets	25	60 161	59 875	62 433
Goodwill from consolidation	24	375 217	372 918	380 353
Investment properties	23	30 324	17 800	15 896
Investments in affiliates		-	-	2 052
Investments in other units		24	24	25
Other financial assets	26	25 665	26 742	31 228
Deferred tax assets	20	39 191	25 296	43 150
Accruals	28	1 891	3 496	4 133
Current assets		**923 314**	**628 202**	**1 069 451**
Inventory	29	103 656	93 866	150 741
Trade and other receivables	30	637 108	245 759	542 569
Income tax receivables		-	-	271
Other financial assets	26	35 095	26 422	28 767
Cash and cash equivalents	31	84 016	121 193	222 562
Accruals	28	8 558	6 831	9 967
Construction contracts	32	54 881	134 131	109 939
Available-for-sale assets		-	-	4 635
Total assets		**1 643 138**	**1 327 202**	**1 925 233**
Equity and liabilities				
Equity attributable to shareholders of parent entity	**34**	**632 422**	**491 851**	**530 182**
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		226 987	241 025	199 775
Retained earnings		37 706	(11 928)	56 674
Foreign exchange differences on translation of foreign operations		8 349	5 334	16 588
Non-controlling interests	**35**	**2 407**	**1 792**	**18 600**
Total equity		**634 829**	**493 643**	**548 782**
Long-term liabilities		**114 294**	**154 515**	**355 913**
Interest-bearing bank loans and borrowings	38	19 523	97 911	134 216
Bonds	39	49 926	12 913	160 040
Provisions	36	4 226	3 718	3 460
Liabilities due to employee benefits	37	10 318	9 552	17 008
Provision for deferred tax	20	29 731	30 421	41 107
Detrivative financial instruments	41	570	-	58
Other financial liabilities	40	-	-	24
Short-term liabilities		**894 015**	**679 044**	**1 020 538**
Interest-bearing bank loans and borrowings	38	167 467	38 373	230 517
Bonds	39	-	147 761	5 695
Trade and other liabilities	42	507 202	333 361	570 766
Provisions	36	19 138	9 838	21 842
Liabilities due to employee benefits	37	9 424	8 744	13 567
Income tax liabilities		4 699	2 657	-
Detrivative financial instruments	41	-	59	95
Other financial liabilities	40	34 718	-	4 647
Accruals	45	68	94	1 496
Construction contracts	32	150 467	133 660	151 370
Advances received towards flats	46	832	4 497	20 543
Total equity and liabilities		**1 643 138**	**1 327 202**	**1 925 233**

Modified) Change in accounting policy - details are described in Note 10 to these consolidated financial statements.*

(amounts in thousand PLN, unless stipulated otherwise)

CONSOLIDATED CASH FLOW STATEMENT

	Note	Financial year ended 31.12.2013	31.12.2012 Modified*
Cash flows from operating activities			
Gross profit from continued operations		**32 975**	**629**
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		**(56 847)**	**79 740**
Depreciation		23 118	27 177
FX differences		725	(2 411)
Net interest and dividends		14 698	17 905
Profit on investment activities		(4 983)	(46 709)
Change in receivables		(391 166)	208 390
Change in inventory		(10 145)	23 632
Change in liabilities, excluding loans and borrowings		218 451	(101 330)
Change in prepayments and accruals		(7 487)	(17 486)
Change in provisions		13 503	3 859
Change in construction contracts		96 161	(34 441)
Change in financial derivatives		371	109
Income tax paid		(9 101)	(5 726)
Other		(2 178)	11 454
Foreign exchange differences on translation of foreign operations		1 186	(4 683)
Net cash flows from operating activities		**(23 872)**	**80 369**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(6 231)	(18 200)
- acquisition		(10 382)	(21 928)
- sale		4 151	3 728
Sale (acquisition) of shares and stocks in affiliates and subsidiaries		-	(634)
- acquisition		-	(634)
- sale		-	-
Cash connected with the loss of control over subsidiaries	16	(4)	(48 711)
Financial assets		(7 622)	340
- granted or acquired		38 881	10 883
- repaid		(46 503)	(10 543)
Loans		2 000	265
- granted		2 000	482
- repaid		-	(217)
Interest received		1 525	1 306
Net cash flows from investment activities		**(10 332)**	**(65 634)**
Cash flows from financial activities			
Net proceeds from issue of shares		(14 040)	-
Proceeds on account of taken borrowings and loans		215 341	116 868
Repayment of borrowings and loans		(183 129)	(196 662)
Interest paid		(15 277)	(24 164)
Payment of liabilities under financial lease agreements		(7 984)	(12 196)
Other		(75)	50
Net cash flows from financial activities		**(5 164)**	**(116 104)**
Total net cash flows		**(39 368)**	**(101 369)**
Net FX differences		-	-
Cash at start of period		**121 193**	**222 562**
Cash at end of period	**51**	**81 825**	**121 193**
- with limited access		912	-

Modified) Change in accounting policy - details are described in Note 10 to these consolidated financial statements.*

(amounts in thousand PLN, unless stipulated otherwise)

STATEMENT OF CHANGES IN THE CONSOLIDATED EQUITY

	Equity attributable to shareholders of parent entity												
	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium account	Revalua-tion reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Modified*						Hedging instruments	Actuarial gains/ (losses)	Results from previous					
As at 1.01.2013	**23 211**	**18 545**	**(18 545)**	**231 813**	**2 396**	**-**	**(1 347)**	**242 372**	**5 334**	**(11 928)**	**491 851**	**1 792**	**493 643**
Corrections of errors	-	-	-	-	-	-	-	-		-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2013 after adjustments	**23 211**	**18 545**	**(18 545)**	**231 813**	**2 396**	**-**	**(1 347)**	**242 372**	**5 334**	**(11 928)**	**491 851**	**1 792**	**493 643**
Net profit for the period	-	-	-	-	-	-	-	-	-	37 706	37 706	210	37 916
Other comprehensive income	-	-	-	-	5 762	(270)	(1 318)	-	3 015	-	7 189	(92)	7 097
Losses cover	-	-	-	-	-	-	-	(11 928)	-	11 928	-	-	-
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	-	-		96 198	-	96 198
Other changes	-	-	-	-	-	-	-	(522)	-	-	(522)	497	(25)
As at 31.12.2013	**41 120**	**-**	**-**	**310 102**	**8 158**	**(270)**	**(2 665)**	**229 922**	**8 349**	**37 706**	**632 422**	**2 407**	**634 829**
Modified*													
As at 1.01.2012	**23 211**	**-**	**-**	**231 591**	**2 343**	**-**	**-**	**199 775**	**16 588**	**52 334**	**525 842**	**18 600**	**544 442**
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	4 340	4 340	-	4 340
As at 1.01.2012 after adjustments	**23 211**	**-**	**-**	**231 591**	**2 343**	**-**	**-**	**199 775**	**16 588**	**56 674**	**530 182**	**18 600**	**548 782**
Net profit for the period	-	-	-	-	-	-	-	-	-	(11 928)	(11 928)	(589)	(12 517)
Other comprehensive income	-	-	-	-	-	-	(1 347)	-	(11 254)	-	(12 601)	(258)	(12 859)
Distribution of profit	-	-	-	-	-	-	-	56 674	-	(56 674)	-	-	-
Issue of shares	-	18 545	(18 545)	-	-	-	-	-	-	-	-	-	-
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	-	-	-	(482)	-	-	(482)	(412)	(894)
Loss of control over subsidiaries	-	-	-	-	-	-	-	(13 595)	-	-	(13 595)	(15 549)	(29 144)
Other changes	-	-	-	222	53	-	-	-	-	-	275	-	275
As at 31.12.2012	**23 211**	**18 545**	**(18 545)**	**231 813**	**2 396**	**-**	**(1 347)**	**242 372**	**5 334**	**(11 928)**	**491 851**	**1 792**	**493 643**

Modified) Change in accounting policy - details are described in Note 10 to these consolidated financial statements.*

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

This consolidated financial statement of the Group includes the period of fiscal year that ended on December 31, 2013 and comparable data.

The Trakcja PRKiI Capital Group (the "Group"; "GK Trakcja PRKiI") consists of the parent company Trakcja PRKiI S.A. („Trakcja PRKiI", the "Parent Company", the "Company", "the Parent company"), and its subsidiaries, and one company under common control (see Note 2).

Trakcja PRKiI 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 22 November 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. Trakcja PRKiI S.A. 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.

On December 19, 2013, the District Court for the Capital City Warsaw in Warsaw, XII Commercial Division of the National Court Register registered the merger Trakcja S.A. as the acquiring company with PRKiI S.A. as the acquired company. The merger was accounted for and recognized at December 31, 2013 in the accounting books of the company to which the property of the merged companies passed to, i.e. Trakcja S.A. by means of shares bonding method.

On June 22, 2011, 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 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 21 December 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 12 December 2012.

On December 19, 2013, the District Court for the Capital City Warsaw in Warsaw, XIII Commercial Division of the National Court Register registered the change of name of the Company from Trakcja S.A. on Trakcja PRKiI S.A. This change was registered under Resolution No. 6 of the Extraordinary General Meeting of November 27, 2013.

On January 29, 2002, the Company was entered in the National Court Register in the Regional Court in Warsaw at the 12th Business Division under file number KRS 0000084266. Trakcja PRKiI 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 ul. Złota 59, 18th floor. The duration of the parent company and the other entities comprising the Group is indefinite.

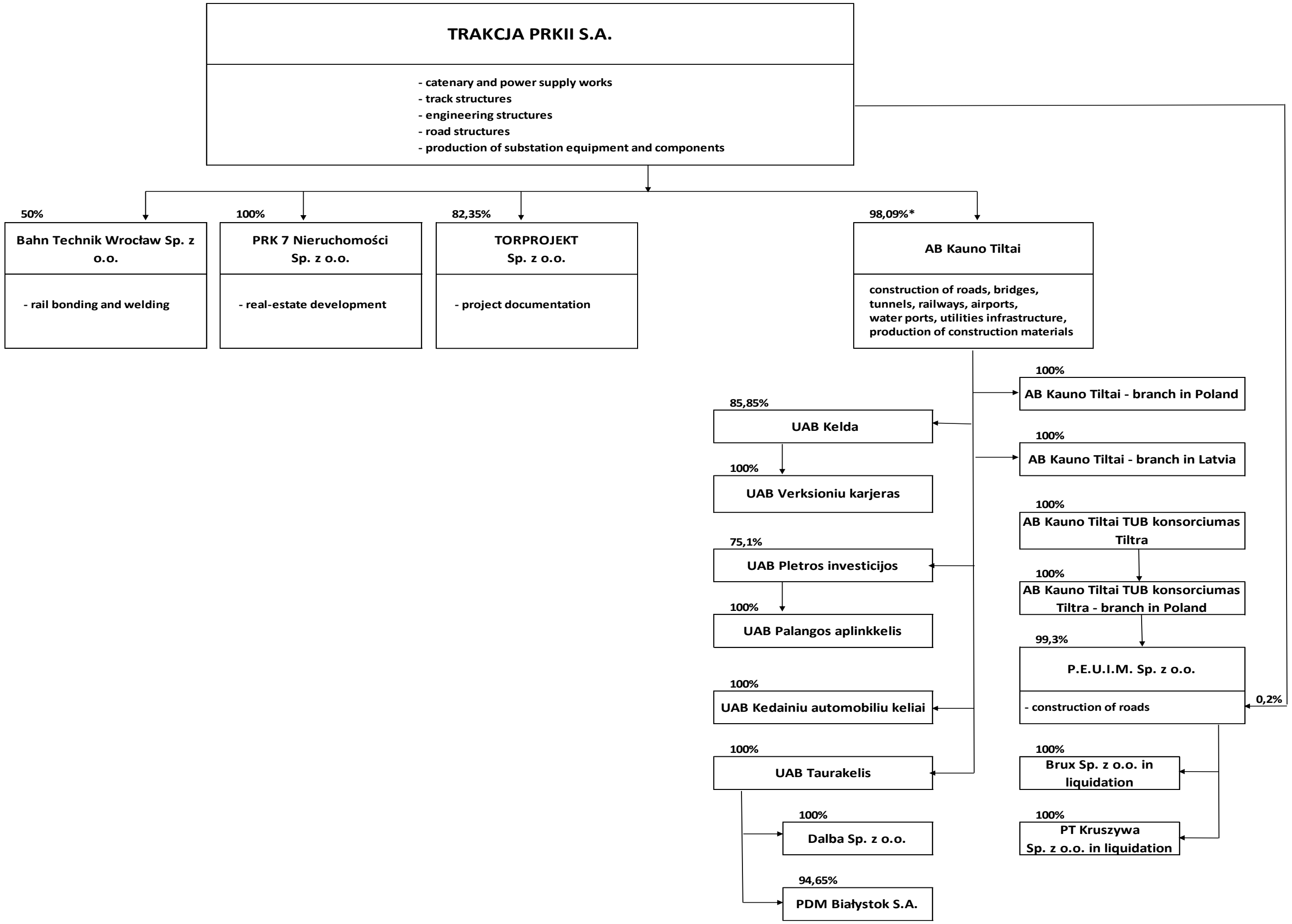
The Company's line of business as stated in its articles of association includes specialized construction and installation work for electrification of railway and tramway lines, i.e.:

- 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),
- construction of bridges, viaducts, overpasses, culverts, tunnels, subways, roads and associated infrastructure of rail and road.

2. Structure of the Group

The Group is composed of the parent company Trakcja PRKiI S.A. and the subsidiary entities according to the following schema:



**) Trakcja PRKiI 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 PRKiI S.A. is the Parent Company and prepares consolidated financial statements of the Trakcja PRKiI Capital Group.

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 PRKiI 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 PRKiI 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;
- 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 PRKiI 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 Kedainiu Automobiliu Keliai– a subsidiary, seated in Kėdainiai;
- UAB Verksioniu karjeras– a subsidiary, seated in Bagotelieu K;
- TUB Konsorciumas Tiltra – a subsidiary, seated in Kaunas;
- UAB Pletros investicijos– a subsidiary, seated in Vilnius;
- AB Kauno Tiltai Lenkijos skyrius – a subsidiary, seated in Vilnius;
- PEUIM Sp. z o.o. – a subsidiary, seated in Białystok, is the parent company in the PEUIM Group and does not draw consolidated financial statements; that group is consolidated at the level of the Trakcja PRKiI Group. Furthermore, the PEUIM Group comprises the following entities:
    - Brux Sp. z o.o. in liquidation;
    - PT Kruszywa Sp. z o.o in liquidation ("PT Kruszywa").

Brux Sp. z o.o. in liquidation and PT Kruszywa sp. z o.o. in liquidation as at December 31, 2013 were not consolidated by the Group. On March 6, 2014 Brux Sp. z o.o. in liquidation has been deleted from the National Court Register.

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

3. Changes in Capital Group

In the period from January 1, 2013 to December 31, 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.

On December 19, 2013, the District Court for the Capital City Warsaw, XII Commercial Division of the National Court Register, entered Trakcja S.A. (as acquiring company) merger with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. (as acquired company).

The merger of the companies was recognized as at December 31, 2013 and effected through the transfer of all the assets of the acquired company, i.e. by way of merger by acquisition.

On December 19, 2013, the District Court for the Capital City Warsaw, XII Commercial Division of the National Court Register, entered the changes in the statute of the Company, which are made pursuant to Resolution No. 4 of the Extraordinary General Meeting of Shareholders dated November 27, 2013. The name of the Company was changed to "Trakcja PRKiI Spółka Akcyjna".

On December 19, 2013, the Extraordinary General Meeting of the Issuer's subsidiary, PT Kruszywa Sp. z o.o. with its registered office in Białystok (PT Kruszywa) adopted a resolution to dissolve the company and and to open liquidation of the company. The Extraordinary General Meeting of Shareholders appointed Mr. Rolandas Rekašiusa as the company's liquidator. The request for the opening of liquidation process was filed by the company on December 20, 2013 in the District Court in Białystok, XII Commercial Division of the National Court Register. The reason for adoption of a resolution to liquidate the company was the lack of operational activity by the company in the year 2013. Accordingly, the company's name was changed to PT Kruszywa Sp. z o.o. in liquidation. PT Kruszywa as at December 31, 2013 was consolidated by the Group.

With effect from March 6, 2014 the company Brux Sp. z o.o. in liquidation ("Brux") has been deleted from the National Court Register. Group ceased to consolidate the Company with effect from December 31, 2012 as a result of a resolution appointed on December 21, 2012 by the Extraordinary Shareholders' Meeting of Brux to open the process of liquidation.

4. Composition of the Parent Company's Management Board

- Roman Przybył - CEO;
- Marita Szustak - Deputy CEO;
- Stefan Dziedziul - Deputy CEO;
- Nerijus Eidukevičius - Deputy CEO;
- Tadeusz Kałdonek - Deputy CEO;
- Jarosław Tomaszewski - Deputy CEO.

Within the period from January 1, to December 31, 2013, the Management Board composition has changed as follows:

- 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 recalled from the Management Board.
- On the basis of Resolution No. 5 of the Supervisory Board of November 28, 2013, Mr. Jarosław Tomaszewski was appointed to perform for the function of the President of the Management Board.
- On the basis of Resolution No. 6 of the Supervisory Board of November 28, 2013, Mr. Stefan Dziedziul was appointed to perform for the function of the President of the Management Board.

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

5. Approval for publication of the annual consolidated financial statement

This annual consolidated financial statement has been approved by the Management Board of the Parent Company for publication on March 21, 2014.

6. Significant values based on professional judgment and estimates

Within the process of application the accountancy principles (policy), the most important things are the book estimates, assumptions made and professional judgment of the management. The assumptions and estimates are based on historical experience and the factors that are considered to be reasonable. Their results constitute the basis of professional judgment relating to the carrying amounts of assets and liabilities. The estimates and underlying assumptions are reviewed at the balance sheet date. Although these estimates are based on the best knowledge of current conditions and activities undertaken by the Group, the actual results may differ from these estimates.

In case that a transaction is not regulated in any standard or interpretation, management uses its judgment in applying an accounting policy that will ensure that the financial statements will contain relevant and reliable information and:

- accurately, clearly and fairly present the financial position of the Group and the results of its operations and cash flows,
- reflect the economic substance of transactions,
- are objective,
- are drawn up in accordance with the principle of prudence and
- are complete in all material respects.

The basic assumptions related to the future and other key sources of uncertainties present at the balance sheet date to which the risk of significant balance sheet assets and liabilities is related in the following fiscal year are presented below

6.1. Professional judgment

Fair value of financial instruments

Fair values of the financial instruments for which active market does not exist, are estimated by means of appropriate estimation methods. When selecting the methods and assumptions, the Group follows the professional judgement. Applied assumptions are presented in note No. 48 Additional information and explanations.

Classification of leasing agreements

The Group classifies leasing as operational or financial, based on an assessment of the scope in which risk and benefits due to possession of the object of leasing are assigned to the lessor or the lessee. This assessment is based on the economic content of each transaction. Additional information was presented in notes 9.3.4, 43 and 44.

Investment properties

The Group classifies real properties as material categories of tangible fixed assets or investment properties depending on their planned use by the Group.

Allocation of the goodwill as cash flow generating centres

Pursuant to IAS 36, goodwill is allocated to cash flow generating centres. The Group performs an assessment connected with allocation of goodwill to relevant centres that generate cash flow. Professional judgement concerns in particular reallocation of the goodwill created from purchasing the AB Kauno Tiltai group, initially allocated to the road segment. Pursuant to the decision of the Group, the aforementioned goodwill, in consequence of Group restructuring and a change of cash flow generating centres was reallocated pursuant to the relative values method, in the amount of PLN 128 million, to the civil engineering segment.

Recognition and loss of control over related entities

The Group is guided by professional judgement in evaluating the start and end of control over related entities, having regard to all circumstances affecting the control. Upon evaluation of the end of control, the Group is mainly guided by legal prerequisites i.e. resulting from the law (e.g. pursuant to the Code of Commercial Companies, court decision) and economic prerequisites concerning each company individually, its economic and financial situation as at the balance sheet date.

6.2. Uncertainty of estimates and assumptions

Valuation of liabilities due to employee benefits

Liabilities due to employee benefits concerning retirement severance pays and jubilee awards were estimated based on actuarial methods. Value of the liability depends on numerous factors, which are used as assumptions in the actuarial method. One of the basic assumptions for determining the amount of the liability is the discount rate and the average expected increase of salaries. Applied assumptions are presented in note No. 37 Additional information and explanations. Any change in these assumptions affects the value of the liability.

Reserves for correcting works

The reserves for correcting works were estimated based on the knowledge of individual construction sites managers related to necessity or possibility of performing additional works in aid of the Ordering Party, to fulfill the guarantee obligations. Largest companies in the Trakcja PRKiI Group are required to provide a guarantee for their services. The amount of the reserve for correction works depends on the segment in which companies operate and is based on the Group's historical data. This value is subject to individual analysis and can be increased or decreased in justified circumstances. Any change in these estimations affects the value of provisions.

Provisions for contractual penalties

The Group recognizes provisions for contractual penalties on executed contracts in a value, which is possible and probable to incur. Provisions are created based on documentation on the course of the contract and opinion of lawyers participating in conducted discussions, who estimate possible future liabilities of the Group based on the course of discussions.

Component of deferred tax assets

The Group recognizes a component of assets by virtue of deferred tax based on the assumption that tax profit shall be attained in the future allowing its utilization. Deterioration of the obtained tax results in the future could cause that such assumption would be unjustified. The Management Board of the Dominant Entity verifies adopted estimations concerning probability of recovering assets due to deferred income tax, based on changes of factors taken into account, new information, and past experiences. Probability of realizing the asset due to deferred income tax with future tax profits is based on the budgets of Group companies. Group companies recognized in the books the asset due to deferred income tax up to the amount, to which it is probable that they will generate taxable profit, which will allow offsetting negative temporary differences. Group companies which historically generated losses and financial projections of which do not foresee generating taxable profit, which would allow offsetting negative temporary differences, do not recognize in their books assets due to deferred income tax.

Revenues recognition

To maintain relatively constant margin during all reporting periods, within which a contract is in force, the Group applies cost method for fixing the incomes (“cost plus”). The revenue on performance of construction and installation services covered by an uncompleted contract is the actually borne costs increased by the assumed margin for the given contract. The Group performs regular analysis and if necessary, verification of margins for individual contracts. The amount of incomes on sale in case of contracts concluded in foreign currency depends on the directions of shaping the currency exchange rate.

Depreciation rates

The amount of depreciation rates is set based on the expected period of economical usability of material components of fixed assets and intangible property. The Group every year performs verification of the adopted periods of economical usability based on current estimations.

Impairment of financial assets

At the assessment whether the financial assets have not lost their value, the available and commonly applied methods of valuation were used taking into account the Group prospect cash flows in respect of the possessed assets.

Investment properties

Investment properties are valued at fair value. Valuations of investment properties were prepared by independent experts with current qualifications to perform such valuations. The selection of the approach and the method was driven by principles defined in the Act on real properties management and in the Regulation of the Council of Ministers on detailed rules of valuation of real properties and on the rules and mode of preparing appraisal reports. Valuation of the fair value of investment properties was subject to such valuation techniques that maximize the use of observable data. Detailed information is presented in note No. 23 Additional information and explanations.

Impairment tests

Pursuant to IAS 36, the Management Board of the Dominant Entity as at the balance sheet date performs annual impairment tests for cash generating units, to which the goodwill was assigned. Impairment tests conducted in the current period related to the goodwill assigned to cash generating units in the total value of PLN 428 729 thousand.

Details concerning adopted assumptions to estimate the fair value less costs of sale of cash generating units are presented in Note 24 Additional information and explanations. No goodwill impairment was found as a result of test conducted as at 31 December 2013.

Impairment of inventory

The Management Board assesses whether there are prerequisites indicating a possibility of an impairment of inventory pursuant to note 9.12. Stating an impairment requires estimation of the net values possible to obtain for inventory, which lost its utility attributes or usability. Additional information is presented in Note 29.

Write-down to trade receivables and other receivables

The Management Board assesses whether there are prerequisites indicating a possibility of an impairment of trade receivables and other receivables. The value of receivables is revaluated in account of the level probability of their payment, through performing a write-down. The value of the write-down depends on the probability of payment of the receivable and on the detailed analysis of significant items comprising the receivable. Depending on the type of client and the source of receivable, assessment of the probability of recovery of the receivable is performed based on individual analysis of certain balances or based on statistical repayment indicators estimated for individual age groups of receivables. Repayment indicators are defined based on observed repayment history and client behaviour, in account of other factors which in the Management's opinion can affect recoverability of current receivables. Additional information is presented in Note 30.

7. Basis for preparing the annual consolidated financial statement

The annual consolidated financial statement has been prepared according to historical cost principle except the derivative financial instruments and financial assets available for sale, which are estimated according to fair value. The balance sheet value of the included securities of assets and liabilities is corrected by the changes in fair value which can be attributed to risk, against which the assets and liabilities are secured.

The annual consolidated financial statement is presented in Złoty (PLN, zł), and all values, if not identified otherwise, are given in thousand Złoty.

Some financial data, included herein, have been rounded. Because of that, some tables presented in the report show the sum of amounts in a given column or row that differ from the total amount given for such column or row.

7.1. Declaration of conformity

The annual consolidated financial statement was prepared according to the International Financial Reporting Standard (IFRS) approved by the European Union and binding as at December 31, 2013.

The standards that did not come into force on 31 December 2011 and were not approved by the European Union at the day of preparing this consolidated financial statement are presented in note No. 8.

The IFRS cover the standards and interpretations accepted by the International Accountancy Standard Board and the International Financial Reporting Interpretations Committee ("IFRIC")

Currency of measure and currency of financial statements

The measuring currency of the Parent Company and the majority of the companies within the Group and the reporting currency in these annual consolidated financial statements is Polish Zloty. The measuring currency of the companies seated in Lithuania is Litas (LTL).

8. New standards and interpretations which were published and did not come into force

In this consolidated financial statement, the Group did not make the decision on early application of published standards and interpretations before they came into force.

The following standards and interpretations were issued by the International Accountancy Standard Board and the International Financial Reporting Interpretations Committee and did not come into force at the balance sheet date:

- IFRS 9 *Financial instruments*

The new standard was published on 12 November 2009 and is the first step within IASB in order to replace IAS 39 *Financial instruments: posting and estimation*. Following the publication the new standards has been subject to further works has been partially modified. The new standard will come into force on 1 January 2015.

The Group will implement the new standard from 1 January 2015.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of the applying the new standard.

- IFRS 10 *Consolidated financial statements*

The new standard was published on 12 May 2011 and will replace interpretation *SCI 12 Consolidation – Special purpose entities* and a part of *IAS 27 Consolidated and Separate Financial Statements*. The standard defines the notion of control as the factor determining whether an entity should be included in consolidated financial statements and contains guidelines on the basis of which it is possible to establish whether a given entity exercises control.

The Group will apply the new standard as of 1 January 2014, the date of entry into force established by the European Commission.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of the applying the new standard.

- IFRS 11 *Joint ventures*

The new standard was published on 12 May 2011 and will replace the following interpretations: *SCI 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and *IAS 31 Interests in Joint Ventures.* The standard emphasises rights and obligations resulting from a joint agreement irrespective of its legal form and eliminates inconsistency in reporting through specifying the method for settling shares in jointly controlled entities.

The Group will apply the new standard as of 1 January 2014, the date of entry into force established by the European Commission.

The new standard will change the method of accounting for jointly controlled entity Bahn Technik Wrocław Sp. z o.o. (BTW) amending the method of consolidation BTW proportional method to equity method. The impact of a change in consolidation method on profit and loss account of the year 2013 and on the balance sheet at December 31, 2013 is summarized below:

(amounts in thousand PLN, unless stipulated otherwise)

The change in the consolidation of BTW from the proportionate method to equity method - impact on balance sheet as at December 31, 2013

Non-current assets	3 575
Current assets	(8 396)
Equity	-
Long-term liabilities	(257)
Short-term liabilities	(4 563)
Total assets	**(4 820)**

The change in the consolidation of BTW from the proportionate method to equity method - impact on the profit and loss account for the year 2013

Revenues	(17 795)
Costs	(15 437)
Share of profit of associate	1 880
Gross profit	(478)
Tax	(478)
Net profit	-

- IFRS 12 *Disclosure of Interests in other entities*

The new standard was published on 12 May 2011 and contains requirements related to disclosures on relations between entities.

The Group will apply the new standard as of 1 January 2014, the date of entry into force established by the European Commission.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of the applying the new standard.

- IAS 27 *Unit financial statements*

The new standard was published on 12 May 2011 and and results above all from transfer of some provisions of what was previously IAS 27 to the new IFRS 10 and IFRS 11. The standard contains requirements concerning presentation and disclosures of investments in affiliates and joint arrangements in separate financial statements. The standard will replace IAS 27 *Consolidated and separate financial statements*.

The Group will apply the new standard as of 1 January 2014, the date of entry into force established by the European Commission.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of the applying the new standard.

- IAS 28 *Investments in associated entities and joint ventures*

The new standard was published on 12 May 2011 and relates to the settlement of investments in affiliates. It also specifies requirements concerning application of the equity method in investments in affiliates and joint ventures. The standard will replace IAS 28 *Investments in associated entities*.

The Group will apply the new standard as of 1 January 2014, the date of entry into force established by the European Commission.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of the applying the new standard.

- Changes in IAS 32 *Offsetting financial assets and liabilities*

The changes in IAS 32 have been published on 16 December 2011 and apply to annual reporting periods starting from 1 July 2014 or later. The changes are a reaction to the existing inconsistencies in applying the existing criteria for offsetting in IAS 32.

The Group will implement the changed IAS from 1 January 2014.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of applying the changed standard.

- 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 instruments, 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.

- Changes in the various standards resulting from *the annual review of the International Financial Reporting Standards (Annual Improvements 2010-2012*)

On 12 December 2013, other changes to seven standards were published, related to the project of proposed changes to the International Financial Reporting Standards published in May 2012. It is applied mostly to annual periods starting on 1 July 2014 or later.

The Group applies the changed standards within the scope of introduced changes from 01 January 2015, unless a different period for their entry into force is provided for.

The application of the changed standards will not materially influence the financial statements of the Group.

- Changes in the various standards resulting from *the annual review of the International Financial Reporting Standards (Annual Improvements 2011-2013*)

On 12 December 2013, further changes to four standards were published, related to the project of proposed changes to the International Financial Reporting Standards published in November 2012. It is applied mostly to annual periods starting on 1 July 2014 or later.

The Group will apply the changed standards within the scope of introduced changes from 01 January 2015, unless a different period for their entry into force is provided for.

The application of the changed standards will not materially influence the financial statements of the Group.

- Change to IAS 19 *Defined Benefit Plans – Employee Contributions*

The change was published on 21 November 2013 and applies to annual periods starting from 1 July 2014 or later. The changes specify and, in some cases, simplify accounting principles concerning employee (or other third party) contributions to defined benefit plans.

The Group will apply the amended standard in the scope of introduced changes as from 1 January 2015.

The application of the amended standard will not materially influence the financial statements of the Group.

- IFRS 14 *Regulatory Deferral Accounts*

The new standard was published on 30 January 2014 and applies to annual periods starting from 01 January 2016 or later. The new standard has temporary nature due to the pending IASB works on regulating the manner of settling operations in price regulation conditions. The Standard introduces principles on recognition of assets and liabilities resulting from transactions with regulated prices in case when the entity decides to shift to IFRS.

The Group will implement the new standard from 01 January 2016.

Application of the amended standard will not influence the Group's financial statements.

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

- IFRS 9 *Financial instruments* published on 12 November 2009 (as amended),
- Change to IAS 19 Defined Benefit Plans – Employee Contributions published on 21 November 2013,
- IFRS 14 Regulatory Deferral Accounts published on 30 January 2014,
- Changes in the various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2010-2012) published on 12 December 2013;
- Changes in the various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2011-2013) published on 12 December 2012;
- Interpretation of IFRIC 21 Levies published on 20 May 2013.

9. Significant accountancy principles

9.1. Consolidation principles

The consolidated financial statement includes the financial statement of Trakcja PRKiI S.A. and financial statements of affiliated companies made each time as per 31 December.

The affiliated companies are subject to consolidation within the period from the day of taking over the control by the Group and stops being consolidated at the moment the control terminates. In case of loss of the control over the affiliated company, the consolidated financial statement takes into consideration the results from this part of the year covered by the statement, in which the Group had the aforementioned control.

The financial statements of the affiliated companies are prepared for the same reporting period as the statement of the Parent Company, using coherent accountancy principles applied to economic transactions and evens of similar character.

All companies within the Group except Bahn Technik Sp. z o.o., and Torprojekt Sp. z o.o., the subsidiaries within PEUIM Group and Taurakelis Group (besides UAB Taurakelis) keep their accountancy books according to the International Accountancy Standards. Bahn Technik Sp. z o.o., TORPROJEKT Sp. z o.o., the subsidiaries within PEUIM Group and Taurakelis Group (besides UAB Taurakelis), keep its accountancy books according to the accountancy principles specified by the Law of 29 September 1994 on accountancy ("Law") as amended and regulations issued on its base ("Polish Accountancy Standards", "PAS").

(amounts in thousand PLN, unless stipulated otherwise)

All balances and transactions between entities of the Group, including not realized profits resulting from transactions within the Group, have been completely eliminated. Not realized losses are eliminated, unless they prove the occurrence of value loss.

Shares that do not have the control right, represent this part of the financial result and net assets, that does not belong to the Group. hares that do not have the control right, are presented in separate item in the consolidated profit and loss account, in the consolidated statement of total incomes and in the equity of the consolidated balance sheet separately from the equity of the shareholders of the Parent Company. In case of acquiring shares that do not have the vote right, difference between the purchase price and the balance sheet value of the acquired share in net assets is posted in equities.

9.2. Conversion of item in foreign currency

The currency in force of the Parent Company is Polish Zloty.

Transactions expressed in foreign currencies are converted by the companies composing the Group into their currency in force using the exchange rate applicable at the transaction day.

At the balance sheet date, cash assets and liabilities expressed in foreign currencies are converted using the average exchange rate applicable at the end of the reporting period for the given currency, announced by the National Bank of Poland (The National Bank of Poland). The exchange rate differences caused by the conversion are properly posted in the financial incomes (costs) item.

Non-cash assets and liabilities posted according to historical costs expressed in foreign currency are shown by the historical exchange rate at the transaction date. Non-cash assets and liabilities posted according to the fair value expressed in foreign currency are converted at the exchange rate at the date of performing the appraisal to the fair value.

The following exchange rates are adopted for the needs of the balance sheet appraisal:

Exchange rate on the reporting date	**31.12.2013**	**31.12.2012**
USD/PLN	3,0120	3,0996
EUR/PLN	4,1472	4,0882
LTL/PLN	1,2011	1,1840
LVL/PLN	5,9009	5,8595

The average exchange rate, calculated as the arithmetic average of the rates prevailing on the last day of each month during the period:	**31.12.2013**	**31.12.2012**
USD/PLN	3,1653	3,2312
EUR/PLN	4,2110	4,1736
LTL/PLN	1,2196	1,2087
LVL/PLN	6,0137	5,9828

At the balance sheet day, financial statements of foreign entities are converted to Polish currency in the following manner:

- appropriate balance sheet items at the average exchange rate set by the National Bank of Poland (Narodowy Bank Polski) at the balance sheet date; apart from equity items which are converted into Polish currency at the historic exchange rate from the date of taking control over the foreign entity;
- appropriate items of profit and loss account and total income report at the exchange rate representing the arithmetical mean of average monthly exchange rates set by the National Bank of Poland (Narodowy Bank Polski) for the period covered by the financial statement;
- appropriate items of cash flow statement (investment and financial activity) at the exchange rate representing the arithmetical mean of average monthly exchange rates set by the National Bank of Poland (Narodowy Bank Polski) for the period covered by the financial statement. The exchange rate differences generated because of such conversion are posted in the "Other exchange rate differences" within cash flow statement.

(amounts in thousand PLN, unless stipulated otherwise)

The exchange rate differences generated because of such conversion are posted directly in equity, separately as FX differences from conversion of foreign units.

The exchange rate differences on cash items in the form of receivables or payables (granted and received long-term loans) in reference to foreign entities composing the Capital Group are posted in other total incomes.

At the moment of selling a foreign entity, the accumulated exchange rate differences posted in the equity, related to the foreign entity, are transferred from the equity to the profit and loss account (as an adjustment resulted from the re-classification) at the moment of posting profit or loss on selling the entity.

9.3. Tangible fixed assets

9.3.1. Fixed assets

Fixes assets are appraised according to the value of purchase or cost of producing reduced by write offs and any write downs by virtue of value loss. The initial value of fixed assets cover their purchase value increased by all costs directly related to purchase and adaptation of the property component for use. The cost consists of costs of replacement of spare parts in machines and devices at the moment they are incurred, if the recognition criteria are met. Costs incurred after the date the fixed asset is transferred for utilization, such as maintenance and repair costs, burden the profit and loss account at the moment they are incurred. The balance sheet value of the fixed asset consist of costs of regular, significant overhauls which are necessary to prevent defects and which value within individual reporting periods significantly differs. The overhaul value is amortized within the period until the next overhaul or the end of the utilization period of the fixed asset, depending on whichever comes first. Possible remaining balance sheet value of costs of previous overhaul is removed from the balance sheet value of the fixed asset.

Fixed assets (excluding own lands that do not serve for output of useful minerals using open pit methods) are amortized using the linear method within the period of expected economical life. The period of expected economical life of each asset is specified at the day of taking over the asset for use. Fixed assets used based on the lease, rent agreement, etc. where the depreciation expenses are made by the user, are amortized within the period of expected economical life or within the period which the agreement is concluded for, depending on whichever is shorter.

The fixed assets which are not handed over directly for use, but requiring previous assembling, adaptation, other additional works or efforts, are included in the fixed assets in progress until their transfer for use.

Fixed assets not used, withdrawn from use, identified for liquidation or sale are assessed at value no higher than their sales price net that can be obtained.

Fixed assets are depreciated according to the linear method. The applied amortization rates correspond to the period of economical life of fixed assets.

Periods of economical life of fixed assets accepted in the Group are as follows:

computers	3 years
tools and instrumentation	5 years
on-ground tanks	22 years
boilers, furnaces	from 14 to 25 years
metal machining machines	from 5 to 14 years
compressor sets	from 10 to 20 years
power devices	10 years
means of transportation	7 years
heavy duty construction machines	from 5 to 16 years
small equipment and machines	7 years
technological wagons	from 14 to 20 years
storage, workshop, utility wagons	from 14 to 20 years
storage, utility containers	from 5 to 25 years
passenger vehicles and trucks (up to 3.5 t)	from 5 to 7 years
trucks (above 3.5 t)	from 5 to 10 years
office and utility camp	from 10 to 20 years

The final value, lifetime and the method of amortization of the assets components are verified every year and if necessary - corrected if the correction falls at the beginning of the following fiscal year.

A given item of material fixed assets may be removed from the balance sheet after its sale or in case when no economical profits resulting from further use of such assets component are expected. All profits or losses resulting from removing such assets component from the balance sheet (calculated as the difference between possible incomes on sales net and the balance sheet value of the given item) are included in the profit and loss account in the period when such removal took place.

9.3.2. Fixed assets in construction

Fixed assets in progress are assessed in the amount of total costs which are in the direct relation with their purchase or production. Such costs include financial costs net related to operation and securing the liabilities financing the fixed assets in progress incurred (paid and treated) since the day of their transfer for use.

Fixed assets in progress waived, destined for liquidation or sale are assessed at value no higher than their sales price net that can be obtained.

Fixed assets in progress are not subject to amortization until completion of the construction and transfer of the fixed asset for use.

Each time, during performing a repair, cost of the repair is included in the balance value of material fixed assets, if the posting criteria are met.

9.3.3. Right of perpetual usufruct of land

The Group has the right of perpetual usufruct of land obtained free of charge based on the administrative decision. The right is presented in the balance sheet in the item “Material fixed assets” as lands. According IFRS 1 at the day of transfer to IAS, the right has been assessed in the value resulting from the last administrative decision representing the grounds for establishing the annual charge. The right of perpetual usufruct of land is not subject to amortization.

9.3.4. Leasing

The financial lease agreements, which transfer all the risk and all benefits resulting from possessing the leased item to the Group, are included in the balance at the date the leasing starts according to the lesser of the below two values: fair value of the fixed asset representing the object of lease or current value of minimum leasing fees. The leasing fees are divided to financial costs and reduction of the balance of liability by virtue of the lease in a way that enables obtaining fixed interest rate on the remaining part of the liability. The financial costs are included directly in the profit and loss account.

Fixed assets used based on the financial lease agreements are amortized for shorter of the below periods: estimated lifetime of the fixed asset or lease period.
The lease agreements, according to which the lessor maintains basically all the risk and all benefits resulting from possessing the leased object, are included among the operating lease agreement. The lease fees by virtue of the operating lease and further lease installments are included as costs in the profit and loss account using the linear method within the period the lease is in force.

9.3.5. Non-current assets classified as intended for sale

The group includes the components of material fixed assets and investment real estates if their balance-sheet value is recovered principally through a sale transaction rather than through continuing use. The Group measures non-current assets classified as intended for sale at the lower amount than its balance-sheet value and fair value less costs necessary to complete sale, and depreciation of such assets has been stopped. Assets as intended for sale are assets available for immediate sale in its present state under conditions which normally apply to the sale of such assets, the sale is highly probable and the management is committed to actively seek a buyer.

Assets classified as intended for sale are presented in the balance sheet in a separate item.

9.4. Investment property

The Group's investment properties comprise investments in buildings and land held to generate income from lease or due to the expected increase of their value. Initially, investment properties acquired in a separate transaction are valuated at purchase prices with consideration of the costs of transaction. In other cases, e.g. purchase during acquisition of another business entity, they are initially recognized at fair value.

After initial recognition, all investment properties are presented at fair value.

Determination of fair value can consist of:

- revaluation, based on valuation performed by an independent expert with recognized and relevant professional qualifications and experience in valuation of properties with location and characteristics similar to the valuated property;
- analysis of data from the active market of current market prices of similar investment properties with similar location and in comparable state.

Shifting assets to and from investment properties takes place only in case of an obvious change in the intended manner of their use.

A change of fair value of investment properties taking place during the year is presented in the profit and loss statement. In case of moving a component of the Group's assets from fixed assets to investment properties, the difference between valuation at fair value and the balance sheet value of such component is recognized in revaluation reserve, and any further changes – in the profit and loss statement.

If the entity, during building an investment property, obtains a possibility to reliably valuate the fair value of such property, which was previously valuated at cost, then this property is valuated at fair value. Once the entity completes the construction of own investment property to be recognized at fair value, the difference between fair value of the property as of that date and its previous balance sheet value will be recognized in the profit and loss statement.

9.5. Impairment of non-financial assets

At each balance sheet date, the Group evaluates whether there are any premises indicating that loss of value of any of the assets components could take place. If so, or in case it is necessary to perform annual inspection testing if loss of value took place, the Group performs evaluation of the recoverable value of the given assets component.

The recoverable value of assets component corresponds to fair value of such assets component or centre generating cash, reduced by costs of sale or use value, depending on whichever is higher. Such value is set for individual assets, unless the given assets component does not generate alone cash incomes, which mostly are independent from those generated by other assets of groups of assets. If the balance sheet value of assets component is higher than the recoverable value, loss of value occurs and write down o set recoverable value is performed. When estimating the use value, expected cash flows are discounted to their current value using the discount rate before taking into consideration of the taxation effects, that reflects current, market estimation of money value in time and the risk typical for the given asset type. The write offs by virtue of value loss by property component used in the continued business are posted in the costs categories which correspond to the assets component function in case of which loss of value was reported.

At each balance sheet date, the Group evaluates whether there are any premises showing that the write off by virtue of loss of value, which was included in the previous periods in relation to the given assets component is needless or should be reduced. If the premises exist, the Group evaluates the recoverable value of such assets component. The previously posted write off by virtue of value loss is inverted when and only when, if since the time of the last write off, a change of estimated values took place, which were used to set the recoverable value of the given asset component. In such a case, balance sheet value of the assets component is increased to the value of its recoverable value. The increased value cannot exceed the balance sheet value of the assets component that would be set (after deducting the depreciation), if within the previous years, the write off by virtue of value loss in relation to the assets component was not posted at all. The inversion of the write off by virtue of value loss of the assets component is immediately included as income in the profit and loss account unless the given assets component is shown in the overestimated value, in which case inversion of the write off by virtue of value loss is treated as increase of revaluation capital. Having inverted the write off, within the following periods, the write down related to the given component is corrected in a way that allows within the remaining use period to systematically write off its verified balance sheet vale reduced by the final value.

9.6. Costs of external financing

Costs of external financing related to the acquisition, construction or production of the adapted components of assets, are capitalized by the Group within the scope of cost of this assets component according to IAS 23. All remaining external financing cost are posted in the profit and loss account at the moment of transfer.

9.7. Intangible assets

Intangible assets acquired within the scope of separate transaction are included in the balance sheet according to the price. Intangible assets acquired within the scope of taking over an economic entity, are included in the balance sheet according to the fair value at the day of the take over. After initial posting, intangible assets are shown at the purchase price or costs of production reduced by write offs and write downs by virtue of value loss.

Outlays paid for intangible assets produced within own scope, except the activated outlays paid in aid of development works, are not activated and posted in the costs of the period they were paid.

Intangible assets of limited lifetime are amortized within the use time and subjected to tests related to value loss whenever there are premises indicating such value loss. Period and method of amortization of intangible assets of limiter lifetime are verified at least at the end of each fiscal year. Changes in the expected period of use or expected method of consuming economical benefits resulting from the given assets component are included by means of change of either the period or method of amortization and treated as changes of estimated values. The write down of intangible assets components of limited lifetime is included in the profit and loss account in the category that corresponds to the function of the given component of intangible asset.

Intangible assets of limited lifetime and those which are not used, are being annually verified for possible value loss in relation to individual assets or at the level of the centre generating capital.

9.7.1. Cost of research and development work

The costs of research works are included in the profit and loss account at the moment they are paid. Outlays paid for the development works performed within the scope of the given company are transferred to the following period, if it is expected that they can be recovered in the future. After initial posting of outlays for development works, the model of historical costs is applied, which requires that assets components are posted according to the purchase prices reduced by the cumulated amortization and cumulated write offs by virtue of value loss. Any outlays transferred to the following period are amortized within the expected period of receiving profits on sale from the given company.

Costs of development works are each year subjected to evaluation from the point of view of possible value loss if an asset component has not yet been put into use or more frequently, if during the reporting period, there shall be a premise of value loss indicating that their balance sheet value would not be recovered.

At each balance sheet date, costs of development work in progress, are presented among intangible assets as separated item “Intangible assets in progress”.

Summary of principles applied in relation to the intangible assets of the Group, is as follows:

	Patents and licenses	**Cost of development works**	**Computer software**
Lifetime	In case of patents and licenses used based on agreements for definite period of time, such time is adopted considering additional period for which the use can be extended.	3 years	2 years
Applied amortization method	Linear method	Linear method	Linear method
Internally produced or acquired	Acquired	Internally produced	Acquired
Verification as regards value	Annual assessment	Annual assessment	Annual assessment

loss	whether premises on value loss exist	whether premises on value loss exist	whether premises on value loss exist

Profits of losses resulting from removing the intangible assets from the balance sheet are assessed according to the difference between incomes on sales net and the balance sheet value of the given asset component and are posted in the profit and loss account at the moment they are removed from the balance sheet.

9.7.2. Goodwill

The goodwill by virtue of taking over an economic entity is initially posted according to the purchase price representing the surplus of costs of merging economic units over the share of the entity taking over in fair value net of possible to be identified assets, liabilities and conditional liabilities. After the initial posting, goodwill is indicated according to the purchase price reduced by any cumulated write offs by virtue of value loss. Tests for value loss is carried out once per year or more frequently, if any premises exist. The goodwill is not subject to amortization.

At the day of taking over, the goodwill is allocated to each of the centre generating cash that could make use of the merge synergy. Each of the centre of set of centers which are assigned with the goodwill should:

- correspond to the lowest level in the Group where the goodwill is monitored for the external management needs and
- be no higher than one segment of business activity according to the definition of Group segments specified based on IFRS 8 *Operational segments.*

Loss of value is set by estimating the recoverable value of the centre generating cash, to which the given goodwill was allocated. In case when recoverable value of the centre generating cash is lower than the balance sheet value, write down by virtue of loss of value is posted. In case when the goodwill represents a part of the centre generating cash and part of the company shall be sold within the scope of this centre, while establishing profits or losses on sale of such business, the goodwill related to the sold business shall be included to its balance sheet value. In such circumstances, the sold goodwill is established based on relative value of sold business and the value of retained part of the cash generating units.

9.8. Financial instruments

The financial assets can be divided to the following categories:

- financial assets kept until maturity,
- financial assets assessed according to the fair value by the financial result,
- loans and liabilities,
- financial assets available for sale.

The financial liabilities are divided to:

- financial liabilities assessed according to the fair value by the financial result,
- financial liabilities assessed at amortized cost.

The financial assets kept to the maturity are investments of specified or possible to be specified payments and determined maturities, which the Group intends to sell and is able to keep them until that time, except for loans and own receivables of the Group. The financial assets kept to maturity are assessed according to the amortized costs using the effective interest rate. The financial assets kept to maturity are qualified as fixed assets if their maturity exceed 12 months since the balance sheet date.

The financial assets purchased in order to generate profit thanks to short-term variations of price, are classified as financial assets assessed in fair value by the financial result. The financial assets assessed in fair value by the financial result are assessed in fair value considering their market value at the balance sheet date. Changes in the fair value of these financial assets are taken into account in incomes or financial costs, except the change of value of currency contract with fixed date. The financial assets assessed in the fair value by the financial result are accounted for current assets if the Management Board intends to realize them within 12 months since the balance sheet date. Loans and liabilities are financial assets not accounted for derivative instruments, of fixed or possible to be fixed payments, not quoted at the active market. The granted loans are included according to the amortized cost. They are included to current assets unless their maturity does not exceed 12 months since the balance sheet date. Loans and liabilities of maturity exceeding 12 months since the balance sheet date are accounted for fixed assets.

The remaining financial assets are the financial assets available for sale. The financial assets available for sale are posted according to the fair value without deducting transaction costs, considering market value at the balance sheet date. In case of absence of the exchange quotation at the active market and if it is not possible to reliably specify their real vale using alternative methods, the financial assets available for sale are assessed at the purchase price corrected by the depreciation by virtue of value loss, if they were assessed in historical values.

Positive and negative difference between the fair value and the purchase value, after reducing by the deferred tax, of assets available for sale, if the market price exists that is set at the controlled active market or of which the fair value can be set in other reliable manner, relates to the reserve capital from the revaluation. Drop of value of assets available for sale caused by loss of value is posted at the profit and loss account as the financial cost.

The derivative instruments, which are not specified as security instruments, are classified as financial assets or liabilities assessed according to fair value by the financial result and shown in fair value with the assessment effect posted in the profit and loss account.

The Group concludes contracts with investors, subcontractors and suppliers in foreign currencies which terms meet the criteria of built-in derivative instruments. Due to the fact that the concluded contracts which are not the financial instruments are expressed in currencies in which contracts for supply of specified goods or services are commonly concluded at the national market, the Group does not perform assessment of the built-in financial instruments separately from the main contract.

Component of the financial assets is given in the balance sheet when the Group becomes a party to the contract, from which the assets component result.

The financial assets component is removed from the balance, when the Group loses control over contractual rights composing the given financial instrument. This is in case of sale of the instrument or when all cash flows attributed to the given instruments pass to an independent third party.

Purchase or sale of the financial assets is recognized at the moment of performing the transaction. At the moment of the initial posting, they are assessed at the purchase price, i.e. fair value including the transaction costs.

Impairment of financial assets

At each balance sheet date, the Group evaluates whether impartial premises of value loss by the financial asset component of financial assets group exist.

Financial liabilities

The financial liabilities are assessed at the moment of their positing in the books at fair value. During the initial assessment, costs of transactions are included, except for financial liabilities accounted for the category assessed at fair value by the financial result. The transaction costs of sale of the financial liabilities component are not taken into account during further assessment of such liabilities. Component of the financial liabilities is given in the balance sheet when the Group becomes a party to the contract, from which the financial liability results.

Financial liabilities assessed according to the fair value by the financial result

This category includes two groups of liabilities: financial liabilities destined for turnover and financial liabilities determined at the moment of their initial posting as assessed at fair value by the financial result. The financial liabilities destined for turnover are liabilities which: were incurred mostly for sale or repurchase within close time frame or represent the part of portfolio of specified financial instruments which are managed in common and for which if can be confirmed that they generate short-term profits or which represent the derivative instruments.

Within the Group, the financial liabilities assessed at fair value by the financial result include derivative instruments (the Group does not apply the security accounting) of negative fair value. Liabilities accounted for the financial liabilities assessed at the fair value, are assessed at each reporting date at fair value and all profits or losses are posted to incomes on operational business. Assessment of the derivative instruments at fair value is performed at the balance sheet date and at each end of the reporting period based on the assessments performed by the banks realizing the transactions. Fair value of the debenture instruments is represented by future cash flows discounted by the current market interest rate proper for similar instruments.

Financial liabilities assessed at amortized cost

Remaining financial liabilities, not included in the financial liabilities assessed at fair value by the financial result, are accounted for the financial liabilities assessed at amortized cost. In this category, the Group includes mostly liabilities by virtue of supplies and services, incurred credits and loans as well as liabilities by virtue of the financial lease. Liabilities included in this category are assessed at the amortized costs, using the effective interest rate.

9.9. Investment in the co-controlled entity

The Group has a share in the co-controlled entity, in which according to the concluded agreement, partners have established a co-control over its economic operations. The Group shows its shares in the co-controlled entity using the method of proportional consolidation. The Group merges its share in assets, liabilities, incomes and costs of the co-controlled entity with similar items in its consolidated financial statement. The financial statements of the co-controlled entity are made at the same balance sheet date as the financial statement of the Parent Company. Possible corrections are to eliminate the differences in the applied principles of accountancy.

In order to eliminate the share of the Group in not realized profits and losses resulting from the transactions between the Group and the co-controlled entity, proper consolidation correction is performed. Losses on transaction are posted immediately, if they speak for reduction of sale price net of current assets or for occurrence of value loss. The Group stops applying the method of proportional consolidation at the moment of discontinuing the co-control over the co-controlled entity.

9.10. Derivative financial instruments

The derivative financial instruments used by the Group in order to secure against the risk related to currency exchange rate differences, are currency contracts of forward type. These derivative financial instruments are assessed according to the fair value. The derivative instruments are posted as financial assets when their value is positive and as financial liabilities in case the value is negative.

Profits and losses by virtue of the fair value change of the derivative instruments, which do not meet the conditions that allow application of special principles of security accountancy, are directly posted in the profit and loss account.
Fair value of currency forward contract is set by referencing to current exchange rates with fixed date (forward) present in case of contracts of similar character.

9.11. Hedging accounting

A hedging instrument is a derivative or (only in case of securing the exchange rate fluctuation risk) an indicated component of assets or liabilities, not being a derivative, the fair value of which or cash flows are to balance the changes of fair value or cash flows of the secured item.

Upon the initial recognition, the entity measures the financial asset or liability at fair value, in the relevant amount for which the asset may be exchanged or liability can be settled between interested and informed parties, at arm's length.

Securing cash flows, which meet the terms of hedge accounting is recognized as follows:

- a part of profit or loss on the hedging instrument, which was recognized as effective security, is presented as a change of the value of the hedged item;
- ineffective part of the profit or loss on hedging instrument is recognized in the profit and loss statement.

Cash flow hedges deemed effective are recognized in equity until recognition of the hedged component of assets or liabilities.

9.12. Inventory

Inventory is assessed according to the purchase price or costs of production not higher than their sale price possible to be achieved at the balance sheet date.
The production cost does not include the following costs:
resulting from unused production capacities and production losses,
storage costs, unless its payment is necessary during the production process,
margin on internal turnover (margin on services performed by auxiliary business in aid of the main business and margin on internal sale between different divisions of the main business), that is subject to elimination in relation to the costs of internal turnovers,
general cost of management and costs of sale, marketing and distribution.

Expenditure of inventory is assessed at prices (costs) of these assets components, which the entity purchased (manufactured) earlier – applying FIFO method (First-In-First-Out).
The write downs on the inventory made in relation to permanent loss of value or caused by assessment leading their value to sales price possible to be obtained, reduce the item value in the balance sheet and are posted in the own cost on sale. These are specific write offs related to the given items of the inventory.
Regardless of the specific write offs given above, at each balance sheet date, general write downs are prepared related to the inventory in stock in total according to the below model:

Period the inventory is in stock	% write off
More than 1 year	100%

General write offs reduce the inventory value in the balance sheet and are accounted for own costs on sale.
Inversion of the write downs on the inventory value is posted as reduction of own costs on sale.

Sale price possible to be obtained is the estimated sale price made during the business operations, reduced by the costs of finishing and estimated costs necessary to complete the sale.

9.13. Receivables by virtue of supplies and services and other receivables

Receivables by virtue of supplies and services which maturity is usually 30 days are posted and disclosed according to initially invoiced amount, considering the write down on the bad debt value. In case the money in time influence is significant, value of receivables is set by discounting the expected future cash incomes at the current value, using the discount rate reflecting the actual market estimation of the value of money in time. If the method consisting in discounting is applied, the increase of receivables in relation to the time is posted as financial incomes.

In case the receivables are threatened, disputable, asserted in court, vindicated or doubtful due to any other reasons, specific write downs are created in full amount of the receivables value reduced by the fair value of possessed reliable securities. The write down of doubtful receivables value is estimated when vindication of the whole amount is no longer probable. Particularly, receivables outstanding more than 180 are considered doubtful receivables. Bad receivables are written off if they are found impossible to collect. The write downs on receivables reduce their value in the balance sheet and are posted to own cost on sale or financial costs adequately, based on the type of receivables the write down applies to. Inversion of the write downs on the receivables value is posted as reduction of own costs on sale.

9.14. Cash and equivalent

Case and short term investment shown in the balance sheet include cash in bank and cash register and short term investments of initial maturity not exceeding three months.

9.15. Equity

Equity is posted in the accountancy books with distribution to types and according to principles stipulated by the law and articles of association of the Parent Company and subsidiaries.

Share capital is shown according to the nominal value, in the amount in conformity with the articles of association of the Parent Company and entry to the commercial register.

Declared, but not paid capital is posted as due contributions in aid of capital. Own shares and due contributions in aid of the share capital reduce the equity of the Group.

Reserve capital is created according to the stipulation of the commercial law, that necessitate that equity is increased by at least 8% of the profit in the given fiscal year, until the capital reaches at least on third of the initial capital.

Share premium is created from the share emission price surplus over their nominal value.

Costs of shares emission incurred while establishing the joint stock company or increasing the initial capital, reduce the capital on shares sale above their nominal value to the value of emission surplus over the nominal value of shares and the remaining part, the Group presents in profit and loss account.

The other reserves include:

- Results from previous years;
- Hedging instruments;
- Actuarial gains (losses).

Retained earnings include the profit of the current reporting period.

9.16. Interest bearing bank credits, loans and debt securities

At the moment of initial posting, all bank credits, loans and debt securities shall be posted according to the purchase price corresponding to the fair value of cash, reduced by costs related to obtaining the credit or loan.

After the initial posting, the interest bearing credits, loans and debt securities and liabilities by virtue of financial lease are then assessed according to the amortized cost using the method of effective interest rate.

When establishing the amortized cost, one considers the costs related to obtaining the credit or loan and discounts or premiums obtained while settling the liability.

Profits and losses are posted in the profit and loss account at the moment of removing from the balance sheet.

9.17. Liabilities by virtue of supplies and services and other liabilities

Short term liabilities by virtue of supplies and services are posted in the amount that needs to be paid. The financial liabilities which are not financial instruments assessed in the fair value by the financial result, are assessed according to the amortized cost using the method of effective interest rate.

The financial liabilities assessed at the fair value by the financial result are assessed at the balance sheet date, according to the amortized cost (i.e. discounted using the effective interest rate method). In case of short term liabilities with maturity up to 365 days, assessment corresponds to the amount that needs to be paid.

9.18. Provisions

The provisions are created when the Group is burdened with an obligation (legal or customary) resulting from the past events, and when it is probable that meeting this obligation shall cause the outflow of economic benefits and reliable estimation of the liability amount may be performed. If the Group expects that cost covered by the reserve shall be returned, for example based on the insurance contract, then such return is posted as separated component of assets, but only when it is practically sure that the return shall take place. Costs related to the given provision are posted in the profit and loss account after reduction by any returns.
In case the money in time influence is significant, value of reserve is set by discounting the expected future cash incomes at the current value, using the gross discount rate reflecting the actual market estimation of the value of money in time and possible risk related to the given liability. If the method consisting in discounting is applied, the increase of provision in relation to the time is posted as financial costs.

9.19. Severance payments and jubilee awards

According to the company remuneration system, employees of the Group's companies are entitled to jubilee prizes and severance payments. The jubilee prizes are paid to the employees who worked for the set amount of years. The severance payments are paid one time at the moment an employee retires. The amount of severance payments and jubilee prizes depends on the seniority and average remuneration of an employee. The Group creates a reserve for future liabilities by virtue of severance payments and jubilee prizes in order to assign costs to periods which they relate to. According to IAS 19, the jubilee prizes are long term employee benefits and severance payments are programs of specified services after the employment period. Current value of these liabilities at the balance sheet date is calculated based on commonly accepted actuarial methods. Calculated liabilities are equal to the discounted payments which shall be made in the future

considering the employment turnover and relate to the period form the balance sheet date. Demographic information and information of employment turnover are based on the history. Profits and losses on actuarial calculations are posted in the profit and loss account.
Reserves for the jubilee prizes, severance and pension payments as well as other similar employee benefits short and long term character are created in the other operational costs and settled in other operational incomes.

9.20. Prepayments and accruals

Prepayments and accruals include in particular:
- rents paid in advance,
- insurances,
- subscriptions,
- outsourced services paid in advance that shall be performed in the future periods.

Write offs of active prepayments and accruals take place appropriately to time and amount of benefit. Time and method of settlement is justified by the character of settled costs, providing caution principle.
In case of prepayments and accruals falling in the following periods, which settlement shall not be completed within 12 months since the balance sheet date, such settlements are presented as a separate item in the balance sheet related to long term prepayment and accruals.

9.21. Incomes and costs

Incomes are posted in the amount in which it is probable that the Group shall obtain economical benefits related to the given transaction and when the amount of income can be reliably assessed.

The incomes are recognized after reducing by the goods and services tax (VAT) and rebates. When posting the incomes, the below criteria apply:

In the operational incomes, the assessment and currency transaction realization effect is presented that secures long term construction contract concluded in foreign currency:

The Group posts the incomes on sale according to the entries given in articles of association of the companies included in it.

The Group performs construction works based on the contracts concluded by the Consortium which it composes. Entries of the concluded contracts include clauses that show leading and unlimited role of the Group as a Consortium leader. In relation to the above, the Group recognizes all incomes paid by the Ordering Party.

9.21.1. Sale of goods and products

The incomes are posted if the significant risk and benefits resulting from the property right to the goods and products were passed on to the purchaser and when the incomes amount can be reliably assessed.

9.21.2. Performing services

Incomes on not completed long term services performed at the balance sheet date to a large extent, are set at the balance sheet date proportionally to the degree of the service progress, if the income amount can be reliably established. The progress is measured by the share of costs incurred from the day of concluding the contract to the day of setting the incomes in the estimated overhead costs of the service or by the share of the performed work in relation to the total works.

Progress set according to the above principles is used to specify the sale value in relation to the incomes value resulting from the stipulations of the concluded contract. Difference between the set (booked) sales value and the invoiced value for the service receivers is posted to the item of prepayments and accruals in assets – in case of positive difference or liabilities – in case of negative difference.

If the extent of non completed service cannot be reliably set at the balance sheet date, the income is established in the amount of costs incurred within the given reporting period, however no higher than costs which compensation by the ordering party in the future is probable.

In case when it is probable that total costs of executing the contract shall exceed the total incomes by virtue of the contract, the expected loss is posted as the cost of the period in which it was revealed.

Costs of creating not completed service cover the costs incurred since the date of concluding proper contract to the balance sheet date. Production costs incurred before conclusion of the contract, related to realization of its object, are accounted for assets if the compensation of such costs in the future by the profits obtained from the ordering party is probable. Then they are posted in the costs of producing not completed construction service.

Incomes on sale of construction and installation services cover also the effect of currency transactions evaluations securing the long term construction contracts concluded in foreign currency.

9.21.3. Provision of road construction services

In relation to the acquisition of shares and stocks in the companies composing AB Kauno Tiltai Group, the Group's activity was extended with road and bridge construction services.

Incomes on not completed long term services performed at the balance sheet date to a large extent, are set at the balance sheet date proportionally to the degree of the service progress, if the income amount can be reliably established. The progress is measured by the share of costs incurred from the day of concluding the contract to the day of setting the incomes in the estimated overhead costs of the service or by the share of the performed work in relation to the total works.

Progress set according to the above principles is used to specify the sale value in relation to the incomes value resulting from the stipulations of the concluded contract. Difference between such set (booked) sales value and the invoiced value for customers (service recipients) is posted to the "Construction contracts" item in assets - for positive differences or in liabilities - for negative differences, respectively.

If the extent of non completed service cannot be reliably set at the balance sheet date, the income is established in the amount of costs incurred within the given reporting period, however no higher than costs which compensation by the ordering party in the future is probable.

In case when it is probable that total costs of executing the contract will exceed the total incomes by virtue of the contract, the expected loss is posted immediately as the cost of the period in which it was disclosed.

Costs of creating not completed service cover the costs incurred since the date of concluding proper contract to the balance sheet date. Production costs incurred before conclusion of the contract, related to realization of its object, are accounted for assets if the compensation of such costs in the future by the profits obtained from the ordering party is probable. Then they are posted in the costs of producing not completed construction service.

Incomes on sale of construction and installation services also cover the effect of FX transactions evaluations securing long term construction contracts concluded in foreign currency.

The Group carries out some long-term contracts based on consortium agreements as the leader of such consortia. The Group recognises incomes for some ongoing road contracts at the amount attributable to the Group.

9.21.4. Interests

Incomes by virtue of interests are posted successively along the accrual period (considering the effective interest rate method) in relation to the balance sheet value net of the given financial assets component.

9.21.5. Dividends

Dividends are posted at the moment of establishing the rights of shareholders or stockholders until their collection.

9.21.6. Developer’s business

The item “Production in progress” in the inventories, include the costs incurred during realization of the investment task, which is directly related to the investment, and: costs of interests, commission on credits, fee by virtue of perpetual usufruct of land and other.

Advance payments paid by the customers for purchase of apartments are shown in the liabilities in item advance payments received in aid of apartments. Land, where the investment is built is given in item: “semi-finished products and production in progress”. Settlement of these items takes place after completion of the investment, accepting it for use and transferring the property right to the customer (notarial deed). Advance payments from customers are transferred to the profit and loss account to item “Incomes on sale”. Costs activated in item “Production in progress” are transferred to the profit and loss account to item “Own cost on sale”.

9.22. Taxes

9.22.1. Current tax

Income tax on incomes earned domestically is calculated in accordance with the Polish tax regulations, while incomes of entities operating overseas are taxed according to local regulations, taking into account agreements on avoidance of double taxation. The applicable tax rate in Poland amounts to 19% and in Lithuania - 15%.

Liabilities and receivables by virtue of current tax for the current period and previous periods are assessed in the amount of expected payment in aid of tax bodies (subject to return from the tax bodies) using the tax rates and regulations which legally or factually were in force at the balance sheet date.

9.22.2. Deferred tax

Deferred tax is calculated using the method of balance sheet liabilities in relation to all temporary differences present at the balance sheet date between the tax value of assets and liabilities and their balance sheet value shown in the consolidated financial statement.

Reserve for the deferred tax is posted in relation to all positive temporary differences:

- except the situation where the reserve for deferred tax is created as a result of the initial posting of the goodwill and initial posting of assets component of liability during transaction that does not represent the merge of economic entities and at the moment of conclusion did not influence the gross financial result and income subject to taxation or tax loss and
- in case of negative temporary differences resulting from the investment in subsidiaries or affiliated entities and shares in joint ventures – except the situation where the period of inverting the temporary differences are subject to the investor's control and where it is probable that in the predictable future, the temporary differences shall not invert.

Assets by virtue of deferred tax are posted in relation to all negative temporary differences as well as not used tax assets and not used tax losses transferred to the following years in the amount in which it is probable that the taxable income shall be obtained that shall allow to use the above mentioned difference, assets and losses:

- except the situation where the assets by virtue of the deferred tax related to negative temporary differences are created as a result of the initial posting of the assets or liabilities component during transaction that does not represent the merge of economic entities and at the moment of conclusion did not influence the gross financial result and income subject o taxation or tax loss and
- in case of negative temporary differences by virtue of the investment in subsidiaries or affiliated companies and shares in joint ventures, assets component by virtue of deferred tax is posted in the balance sheet only in the amount in which it is probable that in the predictable future, the above mentioned differences shall invert and taxable income shall be obtained that shall allow deducting negative temporary differences.

The balance sheet value of the assets component by virtue of deferred tax is verified at each balance sheet date and is subject to gradual reduction by the amount which is no longer probable to obtain the taxable income sufficient to partially or completely execute the assets component by virtue of deferred income tax.

Assets by virtue of the deferred income tax and the reserve for the deferred tax are assessed using the tax rates which according to expectations shall be in force during the period when the assets component shall be executed or reserve settled, assuming as the base the tax rates (and tax regulations) applicable at the balance sheet date or which applicability in the future is sure at the balance sheet date.

The income tax related to the items posted directly in equity is posted in the equity, not in the profit and loss account.

The Group compensates the assets by virtue of deferred income tax with the reserves by virtue of deferred income tax when and only when it possesses the option to execute the legal right to performing compensations of receivables with reserves by virtue of current tax and the deferred income tax is related to the same taxpayer and the same tax body.

9.22.3. Goods and services tax

Incomes, costs, assets and liabilities are posted after reducing by the goods and services tax value, except:

- when the goods and services tax paid during the purchase of assets or services is not possible to be recovered from the tax bodies; then it is posted appropriately as a part of the purchase price of assets component or as a part of cost item

- receivables and liabilities which are disclosed considering the goods and services tax amount.

The goods and services tax net amount that is possible to be recovered or payable in aid of the tax bodies is posted in the balance sheet as a part of receivables or liabilities.

9.23. Net profit per share

Net profit per share for every period is calculated by dividing net profit assigned to the shareholders of the Parent Company for a particular period by weighted average number of shares within the reporting period. Diluted net profit per share for every period is calculated by dividing net profit assigned to the shareholders of the Parent Company for a particular period by the sum of weighted average number of common shares within the reporting period and all potential diluted shares.

Shares are included in the weighted average number of shares starting on the date when the payment for them is due (which is generally the date of their issue). Ordinary shares issued as a part of the payment transferred at the merge of the entities are considered in determining the weighted average number of shares from the merge date. Ordinary shares which can be issued if certain conditions are met (shares issued conditionally) are treated as present during the period and included in the calculation of profit per share only from the date on which there has been compliance with all the required conditions. Ordinary shares occurring during the year which are contingently returnable are not treated as present and are excluded from the calculation of basic profit per share as long as they are subject to possible return.

9.24. Licensed agreements

The Group concluded agreements on licensed services within public and private partnership with participation of the licensor (Lithuanian Roads Administration) and licensee (Issuer's subsidiary - UAB Palangos aplinkkelis). The contract for licensed services defines the principles of execution, price regulation mechanisms, and other terms. The Group recognizes and valuates revenues and costs of licensed services agreements pursuant to IAS 11. In case of performance of more than one service (e.g. construction, maintenance and modernization) within one agreement, obtained or due remuneration is determined by way of reference to the relative fair value of provided services, if amounts can be separately established. The Group recognized the financial assets component in the scope, in which it has unconditional contractual right to receive funds or another component of financial assets, or as ordered by the licensor.

The licensee has unconditional right to receive funds if the licensor guarantees in the agreement the payment to the licensee of:

- defined or definable amounts, or

- a deficit, if applicable, between amounts received from users of the given public utility service and defined or definable amounts, even if the payment depends on the licensor ensuring that the infrastructure meets requirements relating to quality and capacity.

The recognized component of financial assets is subject to IAS 32, IAS 39 and IFRS 7. The amount due from or as ordered by the licensor is settled pursuant to IAS 39 as receivables, including interest calculated using the effective interest rate method, is recognized in the profit and loss statement.

Pursuant to IAS 23, costs of external financing connected with the agreement are recognized as costs in the period, during which they were incurred, unless the licensee has contractual right to receive intangible value (right to impose fees on users of the public service).

10. Effect of application of new accountancy standards and changes of accountancy policy

The accountancy principles (policy) applied to prepare this consolidated financial statement for the fiscal year ended on 31 December 2013 are coherent with those which were applied while preparing the consolidated financial statement for fiscal year ended on 31 December 2012, excluding the changes given below. The same principles were applied for the current and comparable period, unless the standard and interpretation assumed only the prospective application.

The following new or changed standards and interpretations issued by the International Accountancy Standard Board and the Committee ref. International Financial Reporting Interpretations are in force since 1 January 2013:

- IFRS 13 Fair value measurement;
- Amendments to IAS 19 Employee Benefits;
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income;
- Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Liabilities;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine;
- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (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.

Application of the new standard resulted in transformation of comparative data disclosed in the financial statements of the Group. As a result the Group has changed the presentation of actuarial gains and losses by recognizing them in other comprehensive income (previously in profit and loss account). As a result of the application of the standard in the financial statements at 31 December 2012 there was a decrease in other comprehensive income for the period from 1 January 2012 to 31 December 2012 in the amount of PLN 1,347k (PLN 1,663k gross, net of deferred tax of PLN 316k) with an increase in the net profit of the same amount.

There was a decrease in the balance of other operating activity in Profit and loss account for 2012 in the amount of PLN 1,663k and an increase in deferred tax in the amount of PLN 316k.

- 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 dos 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 valuated 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.

Changes introduced by the Group independently

The Group introduced the following changes during the period.

Investment 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 Golędzinowska 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 December 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.

(amounts in thousand PLN, unless stipulated otherwise)

Pursuant to IAS 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).

All investment property valuations as at December 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.

Adjustments related to the merger Trakcja SA with PRKiI SA
In connection with the settlement of the merger Trakcja SA with PRKiI SA the Group made the following adjustments:

- Adjustment for common contract margins (impact on the consolidated gross profit of 2012 in the amount of PLN 919k, net profit of PLN 744k).

The overall effect of the above adjustments on equity in the consolidated balance sheet at 31 December 2012 amounted to PLN 668k. The impact on the balance sheet total amounted to 300 thousand. zł.

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: cost of sales increased by PLN 1,723k and general and administrative costs decreased by the same amount.

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	Difference
Interest-bearing bank loans and borrowings (short-term)	235 164	230 517	(4 647)
Other financial liabilities (short-term)	-	4 647	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.

The summary of the cumulative effect of the changes described above for the individual elements of the consolidated income statement of the Group Trakcja PRKiI for the year 2012 and the consolidated balance sheet of the Group Trakcja PRKiI on 31 December 2012 is presented below.

(amounts in thousand PLN, unless stipulated otherwise)

(kPLN)	**The data published in the report for the year 2012**	Valuation of investment properties	Change in costs presentation	Change in factoring presentation	Adjustment due to merger of Trakcja S.A. with PRKiI S.A.	Adjustment due to change in IAS 19	**Data modified for 2012**
Sales revenues	1 345 757				919		1 346 676
Cost of goods sold	(1 302 849)		(1 723)				(1 304 572)
Gross profit on sales	42 908	-	(1 723)	-	919	-	42 104
General and administrative costs	(52 690)		1 723				(50 967)
Other operating revenues	3 207	1 904				1 878	6 989
Other operating costs	(7 989)					501	(7 488)
Operating profit	23 066	**1 904**	-	-	919	2 379	28 268
Financial costs	(34 814)					(716)	(35 530)
Gross profit	(3 857)	**1 904**	-	-	919	1 663	629
Income tax	11 039	362			1 430	316	13 146
Net profit from continued operation	**(14 896)**	**1 542**	**-**	**-**	**(511)**	**1 347**	**(12 517)**

(amounts in thousand PLN, unless stipulated otherwise)

(kPLN)	**The data published in the report for the year 2012**	Valuation of investment properties	Change in costs presentation	Change in factoring presentation	Adjustment due to merger of Trakcja S.A. with PRKiI S.A.	Adjustment due to change in IAS 19	**Data modified for 2012**
Assets							
Non-current assets	**692 799**	**7 456**	**-**	**-**	**(1 255)**	-	**699 000**
Investment properties	10 344	7 456					17 800
Deferred tax assets	26 551				(1 255)		25 296
Current assets	**627 247**	**-**	**-**	**-**	**955**	-	**628 202**
Construction contracts	133 176				955		134 131
Total assets	**1 320 046**	**7 456**	**-**	**-**	**(300)**	**-**	**1 327 202**
Liabilities							
Equity attributable to shareholders of Parent entity	**486 480**	**6 039**	**-**	**-**	**(668)**	**-**	**491 851**
Other capital reserves	238 032	4 497			(157)	(1 347)	241 025
Retained earnings	(14 306)	1 542			(511)	1 347	(11 928)
Total equity	**488 272**	**6 039**	**-**	**-**	**(668)**	**-**	**493 643**
Long-term liabilities	**152 960**	**1 417**	**-**	**-**	**138**	-	**154 515**
Provision for deferred tax	28 866	1 417			138		30 421
Short-term liabilities	**678 814**	**-**	**-**	**-**	**230**	-	**679 044**
Construction contracts	133 430				230		133 660
Total equity and liabilities	**1 320 046**	**7 456**	**-**	**-**	**(300)**	**-**	**1 327 202**

11. Selected financial data

Average exchange rates of Polish Zloty in relation to Euro within the period covered by the consolidated financial statement:

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
31.12.2013 r.	4,2110	4,0671	4,3432	4,1472
31.12.2012 r.	4,1736	4,0465	4,5135	4,0882

**Average exchange rate in force at the last day of each month within the given fiscal year.*

Basic items of the consolidated balance sheet in conversion to Euro:

	Financial year ended 31.12.2013		31.12.2012	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	719 824	173 569	699 000	170 980
Current assets	923 314	222 635	628 202	153 662
Total assets	**1 643 138**	**396 204**	**1 327 202**	**324 642**
Equity	634 829	153 074	493 643	120 748
Long-term liabilities	114 294	27 559	154 515	37 795
Short-term liabilities	894 015	215 571	679 044	166 099
Total equity and liabilities	**1 643 138**	**396 204**	**1 327 202**	**324 642**

When converting the data of the consolidated balance sheet, the exchange rate established by Narodowy Bank Polski [The National Bank of Poland] at the last day of the turnover year was adopted.

Basic items of the consolidated profit and loss account in conversion to Euro:

	For the period of 12 months ended 31.12.2013		For the period of 12 months ended 31.12.2012	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	1 674 984	397 766	1 346 676	322 665
Cost of goods sold	(1 566 643)	(372 038)	(1 304 572)	(312 577)
Gross profit (loss) on sales	108 341	25 728	42 104	10 088
Operating profit (loss)	50 498	11 992	28 268	6 773
Gross profit (loss)	32 975	7 831	629	151
Net profit (loss) from continued operations	37 916	9 004	(12 517)	(2 999)
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	37 916	9 004	(12 517)	(2 999)

When converting the data of the consolidated profit and loss account, average Euro exchange rated was adopted, calculated as the arithmetical mean of rates in force at the last day of each month within the given fiscal year, established by Narodowy Bank Polski [The National Bank of Poland] at this day.

Basic items of the consolidated cash flow statement in conversion to Euro:

	For the period of 12 months ended 31.12.2013		For the period of 12 months ended 31.12.2012	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(23 872)	(5 669)	80 369	19 257
Cash flows from investment activities	(10 332)	(2 454)	(65 634)	(15 726)
Cash flows from financial activities	(5 164)	(1 226)	(116 104)	(27 819)
Total net cash flows	(39 368)	(9 349)	(101 369)	(24 288)

When converting the above data of the consolidated cash flow statement, average Euro exchange rated was adopted, calculated as the arithmetical mean of rates in force at the last day of each month within the given fiscal year, established by Narodowy Bank Polski [The National Bank of Poland] at this day.

	31.12.2013		31.12.2012	
	TPLN	**TEUR**	**TPLN**	**TEUR**
Cash at start of period	121 193	29 645	222 562	50 390
Cash at end of period	84 016	20 259	121 193	29 645

To calculate the above data of the consolidated cash flow account, the following rates were adopted:

- exchange rate set by Narodowy Bank Polski [The National Bank of Poland] at the last day of each fiscal year - for item "Cash at the end of the period".
- exchange rate set by Narodowy Bank Polski [The National Bank of Poland] at the last day of the fiscal year preceding the given fiscal year - for item "Cash at the beginning of the period".

Euro exchange rate at the last day of the fiscal year that ended on 31 December 20010 amounted 3,9603 PLN.

(amounts in thousand PLN, unless stipulated otherwise)

12. Information concerning segments

Operating segments

For the period from 1.01.2013 to 31.12.2013	**Continued operations**						
	Civic building segment	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues							
Sales to external customers	1 042 167	612 948	19 869	1 674 984	-	-	1 674 984
Sales between segments	127	37	46	210	-	(210)	-
Total segment revenues	**1 042 294**	**612 985**	**19 915**	**1 675 194**	**-**	**(210)**	**1 674 984**
Results							
Depreciation	13 939	9 061	118	23 118	-	-	23 118
Financial revenues - interests	1 529	1 335	267	3 131	-	(147)	2 984
Financial expenses - interests	12 666	2 364	2	15 032	-	(147)	14 885
Gross profit	**13 886**	**23 455**	**2 187**	**39 528**	**-**	**(6 553)**	**32 975**

For the period from 1.01.2012 to 31.12.2012 Modified	**Continued operations**						
	Railway segment	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues							
Sales to external customers	794 440	511 695	40 541	1 346 676	-	-	1 346 676
Sales between segments	16 094	1 221	20	17 335	-	(17 335)	-
Total segment revenues	**810 534**	**512 916**	**40 561**	**1 364 011**	**-**	**(17 335)**	**1 346 676**
Results							
Depreciation	13 044	13 988	145	27 177	-	-	27 177
Financial revenues - interests	2 205	1 459	168	3 832	-	(248)	3 584
Financial expenses - interests	18 155	2 950	13	21 118	-	(248)	20 870
Gross profit	**(37 200)**	**194**	**5 919**	**(31 087)**	**-**	**31 716**	**629**

(amounts in thousand PLN, unless stipulated otherwise)

As at 31.12.2013	**Continued operations**						
	Civic building segment	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	854 056	521 019	44 195	1 419 269	-	(244 054)	1 175 215
Assets not allocated to segments	-	-	-	-	-	-	467 923
Total assests	**854 056**	**521 019**	**44 195**	**1 419 269**	**-**	**(244 054)**	**1 643 138**
Segment liabilities	567 320	418 171	14 606	1 000 097	-	(106 082)	894 015
Other disclosures:							
Capital expenditure	(6 817)	(3 591)	(8)	(10 416)	-	34	(10 382)
Impairment of non-financial assets	(788)	-	-	(788)	-	-	(788)

As at 31.12.2012	**Continued operations**						
Modified	**Railway segment**	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	515 779	550 524	42 667	1 108 970	-	(233 494)	875 476
Assets not allocated to segments	-	-	-	-	-	-	451 726
Total assests	**515 779**	**550 524**	**42 667**	**1 108 970**	**-**	**(233 494)**	**1 327 202**
Segment liabilities	408 085	337 857	13 891	759 833	-	(80 789)	679 044
Other disclosures:							
Capital expenditure	(18 977)	(3 952)	(16)	(22 945)	-	1 017	(21 928)

(amounts in thousand PLN, unless stipulated otherwise)

Geographical segments

For the period from 1.01.2013 to 31.12.2013	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	1 091 387	583 597	1 674 984	-	-	1 674 984
Sales between segments	173	37	210	-	(210)	-
Sales domestic/ abroad	1	-	1	-	(1)	-
Total segment revenues	**1 091 561**	**583 634**	**1 675 195**	**-**	**(211)**	**1 674 984**

For the period from 1.01.2012 to 31.12.2012 Modified	Continued operations					
	Domestic	Abroad	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	895 481	451 195	1 346 676	-	-	1 346 676
Sales between segments	17 217	118	17 335	-	(17 335)	-
Sales domestic/ abroad	3	356	359	-	(359)	-
Total segment revenues	**912 701**	**451 669**	**1 364 370**	**-**	**(17 694)**	**1 346 676**

As at 31.12.2013	Continued operations					
	At home	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	940 527	478 742	1 419 269	-	(244 054)	1 175 215
Operating liabilities	607 650	392 447	1 000 097	-	(106 082)	894 015

As at 31.12.2012 Modified	Continued operations					
	At home	Abroad	Total	Discontinued operations	Exclusions	Total operations
Operating assets	640 601	459 958	1 100 559	-	(233 494)	867 065
Operating liabilities	463 528	296 305	759 833	-	(80 789)	679 044

The operational segment is a part of the entity 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: PEUIM, 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 PEUIM, 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.

In 2013 and in the comparable period revenues from transactions with external single customer accounted for 10% or more of total revenue. The following table presents the total amount of revenue from each such customer segments and indicate that these revenues relate to:

The total amount of income obtained in 2013 from a single customer (thousand PLN)	Operation segment containing the revenues
927 141	civic building segment
167 297	road segment

(amounts in thousand PLN, unless stipulated otherwise)

Group does not disclose revenue from external customers by product and service, because analysis of the segments is done in terms of construction contracts performed by segments.

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 PRKiI 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.

13. Sales revenues

Sales revenues	Financial year ended 31.12.2013	Financial year ended 31.12.2012 Modified
Revenues from sale of construction services	1 605 565	1 267 009
Revenues from sale of goods and materials	5 090	23 257
Revenues from sale of other products and services	64 329	56 410
Total	**1 674 984**	**1 346 676**

14. Costs of operation

Costs by type:

	Financial year ended 31.12.2013	Financial year ended 31.12.2012 Modified
Depreciation	23 118	27 177
Consumption of materials and energy	395 500	289 532
External services	981 509	816 767
Taxes and charges	5 267	5 070
Payroll	126 038	124 786
Social security and other benefits	32 630	33 120
Other types of costs	27 747	26 068
Total costs by type	**1 591 809**	**1 322 520**
Change in inventories, products and prepayments	41 012	58 780
Cost of manufacture of products for the entity's own needs (negative value)	(18 185)	(43 915)
Cost of sales, marketing and distribution (negative value)	(7 366)	(7 519)
General and administrative costs (negative value)	(51 683)	(50 967)
Manufacturing cost of products sold	**1 555 587**	**1 278 899**
Value of materials and goods sold	**11 056**	**25 673**
Cost of goods sold	**1 566 643**	**1 304 572**

(amounts in thousand PLN, unless stipulated otherwise)

Costs of remunerations and employees benefits:

	Financial year ended 31.12.2013	Financial year ended 31.12.2012 Modified
Costs of payroll and employment termination benefits	126 038	124 786
Social security costs	25 777	26 457
Provisions for retirement pay and disability benefits	445	(1 355)
Provision for jubilee awards	(896)	(1 156)
Provision for unused leaves	4 948	(495)
Provision for bonuses	4 537	2 515
Employee benefits under Employee Pension Program	580	573
Other employee benefits	6 273	6 089
Total	**167 702**	**157 414**

The company has implemented for its employees the Employee Pension Plan (EPP) entered in to the Insurances and Pension Funds Supervision Committee under the number RPPE 75/01. In 2001, the contract has been concluded related to payment by the Company of employee contributions and the plant pension agreement between it (former PKRE SA) and Labor Unions operation in the Company. All employee pension agreements and annexes to these agreements were concluded according to a uniform model. In 2006, an annex has been signed to the plant agreement which adapted the EPP to the regulations of the changed act on employee pension programs.
Within the Program, the employer transfers 4% of gross remuneration of an employee, that represents the basis for calculating pension contributions to the selected fund. Participation of employees in the Program is voluntary and employees with at least three month seniority in the Company can enter to the program.

Depreciation of fixed assets and amortisation of intangible assets as well as write downs posted in the profit and loss account:

	Financial year ended 31.12.2013	Financial year ended 31.12.2012 Modified
Items recognised in cost of goods sold		
Depreciation of fixed assets	20 177	22 485
Amortisation of intangible assets	363	2 050
Total	**20 540**	**24 535**
Items recognised in cost of sales, marketing and distribution		
Depreciation of fixed assets	24	172
Amortisation of intangible assets	20	18
Total	**44**	**190**
Items recognised in general and administrative costs		
Depreciation of fixed assets	1 783	1 740
Amortisation of intangible assets	751	712
Total	**2 534**	**2 452**
Depreciation of fixed assets	21 984	24 397
Amortisation of intangible assets	1 134	2 780
Total	**23 118**	**27 177**

(amounts in thousand PLN, unless stipulated otherwise)

15. Other operating revenues

	Financial year ended 31.12.2013	31.12.2012 Modified
Released provisions, including:	1 299	3 128
- for retirement and disability benefits	-	1 355
- for jubilee awards	1 299	1 156
- for unused leaves	-	495
- other	-	122
Other, including:	14 309	3 861
- investment property valuation	4 657	1 904
- received penalties and fines	716	519
- donations received	251	225
- reimbursed costs of litigious proceedings	21	42
- surplus inventory	-	243
- redeemed liabilities	6 280	132
- profit on sale of non-financial non-current assets	1 468	281
- revenues on sale-and-lease-back	-	96
- other	916	419
Total	**15 608**	**6 989**

The Group has made on 31 December 2013 revaluation of investment properties and recognized the positive impact on the result in the amount of PLN 4,657k.

Revenues from redeemed liabilities in the amount of PLN 6,225k result of the agreement with the contractor. Details of the agreement are described in note 55.2.

16. Other operational costs

	Financial year ended 31.12.2013	31.12.2012 Modified
Established provisions for liabilities, including:	10 065	2 515
- for retirement and disability benefits	236	-
- for leaves	4 948	-
- for bonuses	4 537	2 515
- for litigation costs	154	-
- other	190	-
Other, including:	4 383	4 973
- revaluation of non-financial assets	3	157
- paid penalties, fines, compensations	246	170
- litigation costs paid	57	140
- donations made	766	4
- inventory shortages from stocktaking	139	125
- value of liquidated non-financial assets	10	175
- value of liquidated inventory	115	-
- reorganization costs of the production division	533	2 791
- depreciation of inventories held for sale	156	162
- written-off receivables	-	19
- revaluation write-off for fixed assets	788	658
- costs of concluding the agreement related to redeemed liability	640	-
- other	930	572
Total	**14 448**	**7 488**

(amounts in thousand PLN, unless stipulated otherwise)

17. Profit on the loss of control of subsidiaries

As at 30 June 2012, the Group lost control over subsidiaries belonging to the Group Lithold AB, ie the Company Lithold AB, Silentio Investments Sp. z o.o. and the Group Poldim. On 21 December 2012 , the Extraordinary General Meeting of the Issuer's subsidiary , Brux Sp. z o.o. (" Brux "), with registered office in Białystok adopted a resolution to dissolve the company and the opening of the company's liquidation .

The Group recognized a profit in year 2012 on account of loss of control over a group of Lithold in the amount of PLN 44,291k and the company Brux Sp. z o.o. in liquidation in the amount of PLN 858k.

Cash and cash equivalents at the date of loss of control held by the Lithold Group and Brux sp. z o.o. in liquidation amounted to PLN 48,711k.

In connection with the adoption by Extraordinary General Meeting of the Issuer's subsidiary , PT Kruszywa sp. z o. o.("PT Kruszywa") on 19 December 2013 resolution of the shareholders and the opening of the liquidation the Group recognized a loss of control over PT Kruszywa and ceased its consolidation. The Group recognized in 2013 profit on account of loss of control over PT Kruszywa in the amount of PLN 46k. Cash and cash equivalents at the date of loss of control held by PT Kruszywa amounted to PLN 4k.

18. Financial revenues

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Financial revenues from interest, including:	2 984	3 584
- bank interest	1 514	2 451
- interest on receivables	204	122
- interest on released provisions for interest on liabilities	829	561
- on loans	180	306
- other	257	144
Profit from exchange rate differences	-	3 027
Financial revenues from participation in guarantee costs	87	166
Income from the reversal of provisions for liabilities	38	821
Profit on sale of investments	-	2
Other financial revenues	87	291
Total	**3 196**	**7 891**

(amounts in thousand PLN, unless stipulated otherwise)

19. Financial costs

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Financial costs on account of interest, including:	14 885	20 870
- interest on loans and borrowings	8 475	6 653
- on liabilities	1 328	2 141
- on bonds	4 425	11 326
- other	657	750
Loss from exchange rate differences	465	-
Creation of revaluation write-offs on interest receivables	64	18
Creation of provisions for liabilities	-	10 946
Financial commissions paid	3 080	1 132
Revaluation of investments	51	874
Loss on sale of investment	702	-
Financial costs on account of bank and insurance guarantees costs	91	492
Factoring related costs	838	-
Revaluation write-offs on bonds	271	634
Loss on valuation of forward contracts	144	321
Penalties	-	75
Other financial costs	127	168
Total	**20 719**	**35 530**

(amounts in thousand PLN, unless stipulated otherwise)

20. Income tax

20.1. Current income tax

	Financial year ended 31.12.2013	Financial year ended 31.12.2012 Modified
Gross profit	**32 975**	**629**
Differences between gross profit (loss) and income tax base (by title)		
- temporary differences, including:	69 025	28 532
depreciation and amortisation	(11 839)	(10 088)
revaluation write-offs	1 799	1 261
change in provisions	5 683	34 885
valuation of foreign currency transactions	-	50
valuation of construction contracts	51 964	12 180
accrued interest	(747)	(6 034)
accrued FX differences	149	(809)
provision for losses on contracts	27 852	271
remuneration unpaid	(155)	(136)
investment property fair value adjustment	(4 656)	(1 904)
other	(1 025)	(1 144)
- permanent differences, including:	12 454	(12 004)
contributions to PFRON (National Disabled Persons Rehabilitation Fund)	915	1 013
donations made	761	149
budget interest	9	9
insurance and membership fees	277	287
VAT difference	119	98
other	10 372	(13 560)
Income (loss)	**114 454**	**17 157**
Taxable income	**118 567**	**35 127**
Deductions from income	**(48 813)**	**(823)**
- tax loss from previous years	(47 353)	(539)
- donations	(1 460)	(284)
Income tax base	**69 755**	**34 304**
Income tax at 19% and 15% rate	**10 892**	**5 563**
Current income tax recognised (shown) in tax declaration for the period, including:	**10 892**	**5 563**
- recognised in income statement	10 892	5 563

Income tax in the profit and loss account:

	Financial year ended 31.12.2013	Financial year ended 31.12.2012 Modified
Current income tax:	**10 853**	**5 387**
- current income tax charge	10 892	5 563
- adjustments related to current income tax from previous years	(39)	(176)
Deferred tax:	**(15 795)**	**7 759**
- related to increase and decrease in temporary differences	(15 795)	7 759
Total	**(4 941)**	**13 146**

A part of the income tax was set according to the rate of 19% for income tax base in reference to legal entities operating at the territory of Poland. For foreign companies composing the Trakcja PRKiI Capital Group, the tax rate for the period from 1 January to 31 December 2013 was 15% (Lithuania).

(amounts in thousand PLN, unless stipulated otherwise)

Calculating of effective interest rate:

Reconciliation of income tax on the gross financial result at the statutory tax rate with income tax calculated at the effective tax rate for the year ended 31 December 2013 and 31 December 2012 is presented in the following table:

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Gross profit	**32 975**	**629**
Income tax at applicable income tax rate of 19%	6 265	120
Use of tax losses from previous years	(12 687)	11 794
Effect of varied interest rate within the Group	(355)	(801)
Tax revenues not constituting accounting revenues	(23)	22
Tax costs not constituting accounting costs	(207)	(627)
Non-tax revenues constituting accounting revenues	(639)	(8 600)
Non-tax costs constituting accounting costs	2 705	11 238
Income tax at effective tax rate of -15% (2012:2 090%)	**(4 941)**	**13 146**

20.2. Income tax recognized in other comprehensive income

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Profit from revaluation referred into revaluation reserve		
Gross amount	7 114	-
Tax	(1 352)	-
Net amount	**5 762**	**-**
Actuarial gains/(losses)		
Gross amount	(1 627)	(1 663)
Tax	309	316
Net amount	**(1 318)**	**(1 347)**
Cash flow hedging instruments		
Gross amount	(426)	-
Tax	64	-
Net amount	**(362)**	**-**
Foreign exchange differences on translation of foreign operations		
Gross amount	3 015	(11 512)
Tax	-	-
Net amount	**3 015**	**(11 512)**

20.3. Deferred tax

The following table shows the impact of assets and provision for deferred tax on profit and capital:

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Balance of deferred income tax assets at end of period, including:	**39 191**	**25 296**
- through profit or loss	38 502	24 980
- through equity	689	316
Balance of deferred income tax provision at end of period, including:	**29 731**	**30 421**
- through profit or loss	24 409	26 673
- through equity	5 322	3 748

(amounts in thousand PLN, unless stipulated otherwise)

Deferred tax asset

Title of temporary differences	1.01.2012 Modified	Loss of control	Increase / Decrease	31.12.2012 Modified	Increase / Decrease	31.12.2013
Provision for bonuses	206	(111)	539	634	585	1 219
Provision for the audit	116	(38)	(10)	68	(33)	36
Provision for correction works	1 086	(240)	208	1 054	185	1 239
Provision for losses on contracts	5 705	(5 272)	(108)	326	4 123	4 448
Provisions for retirement and pensions	1 261	(373)	(156)	732	66	798
Provision for jubilee awards	2 599	(1 160)	102	1 540	99	1 640
Provision for unused leaves	1 843	(588)	(82)	1 173	(16)	1 157
Provision for comissions	-	-	141	141	(141)	-
Valuation allowance for trade receivables	6 668	(3 540)	(2 376)	752	797	1 549
Valuation allowance for other current assets	390	(91)	3	302	(96)	205
Unrealized foreign exchange losses	898	(489)	(276)	133	(4)	128
Accrued interest on liabilities	2 003	(706)	(976)	321	3	323
Valuation of bonds	130	-	120	250	(210)	40
Interest on receivable write-offs	196	(138)	(48)	11	78	89
Non-tax costs related to ongoing long-term contracts	9 700	(6 416)	2 348	5 632	(2 068)	3 564
Surpus of invoiced revenues over actual revenues - valuation of long-term contracts	2 368	(2 063)	4 499	4 804	4 492	9 296
The positive difference between the balance sheet depreciation and the tax depreciation	164	(44)	8	127	(12)	115
Tax loss	16 392	(6 461)	(3 419)	6 512	4 078	10 591
Revaluation of fixed assets to fair value	-	-	117	117	(117)	-
Unpaid wages and unpaid social security contributions	875	(564)	(14)	298	(40)	258
Other	(9 426)	13 916	(3 935)	555	1 970	2 525
Variances due to currency translation	(25)	-	(143)	(168)	138	(30)
Set off	-	-	(17)	(17)	17	-
Total	**43 150**	**(14 380)**	**(3 474)**	**25 296**	**13 895**	**39 191**

(amounts in thousand PLN, unless stipulated otherwise)

Provision for deferred tax

Title of temporary differences	1.01.2012 Modified	Loss of control	Increase / Decrease	31.12.2012 Modified	Increase / Decrease	31.12.2013
Surpus of actual revenues over invoiced revenues - valuation of long-term contracts	11 268	(5 599)	5 963	11 632	(5 325)	6 307
The negative difference between the balance sheet depreciation and the tax depreciation	12 970	(3 957)	2 381	11 394	1 571	12 965
Unrealized foreign exchange profits	215	(21)	(123)	71	(53)	18
Interest accrued on deposits, on financial assets	420	(348)	211	283	320	603
The right to perpetual usufruct	562	-	-	562	(121)	441
Revaluation of fixed assets to fair value	12 916	(3 449)	(712)	8 755	(3 102)	5 652
Investment property fair value adjustment	1 055	-	362	1 417	2 236	3 653
Other	1 736	(1 058)	(3 958)	(3 279)	3 297	18
Variances due to currency translation	(36)	(223)	(139)	(398)	471	73
Set off	-	-	(17)	(17)	17	-
Total	**41 107**	**(14 656)**	**3 969**	**30 421**	**(690)**	**29 731**

(amounts in thousand PLN, unless stipulated otherwise)

21. Profit (loss) per one share

Net profit per share for every period is calculated by dividing net profit assigned to the shareholders of the Parent Company for a particular period by weighted average number of shares within the reporting period. Diluted net profit per share for every period is calculated by dividing net profit assigned to the shareholders of the Parent Company for a particular period by the sum of weighted average number of common shares within the reporting period and all potential diluted shares.

Profit per one share:

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Net profit (loss) from continued operations	37 916	(12 517)
Net profit applied to calculate diluted earnings per share	37 916	(12 517)
Net profit attributable to shareholders of Parent entity applied to calculate diluted earnings per share	37 706	(11 928)
Number of issued shares (pcs)	411 196 384	232 105 480
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	391 557 530	232 105 480
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	391 557 530	232 105 480

Profit (loss) per one share falling on shareholders within the period (in PLN per share):

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
- basic	0,10	(0,05)
- diluted	0,10	(0,05)

Profit (loss) per one share on continued business falling on shareholders within the period (in PLN per share):

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
- basic	0,10	(0,05)
- diluted	0,10	(0,05)

Profit (loss) per one share on falling on shareholders of the Parent Company within the period (in PLN per share):

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
- basic	0,10	(0,05)
- diluted	0,10	(0,05)

(amounts in thousand PLN, unless stipulated otherwise)

22. Tangible fixed assets

Structure of fixed assets:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Fixed assets, including:	182 322	191 297	305 874
- land (including right of perpetual usufruct)	24 931	26 452	24 559
- buildings, premises, civil and water engineering structures	23 576	25 197	50 697
- technical equipment and machines	68 676	72 808	139 216
- vehicles	54 104	57 060	76 194
- other fixed assets	11 035	9 780	15 208
Fixed assets under construction	5 029	1 552	10 638
Total	**187 351**	**192 849**	**316 512**

The tangible fixed assets are secured, which fact was described in detail in note 57.

Tables of fixed assets movements:

Financial year ended 31.12.2013	**Land, buildings and structures**	**Machines and equipmen t**	**Vehicles**	**Other fixed assets**	**Fixed assets under constructio n**	**Total**
Net book value at the beginning of the year	**51 649**	**72 808**	**57 060**	**9 780**	**1 552**	**192 849**
Increases - purchase	396	5 556	4 283	3 482	3 708	17 425
Other increases	438	548	2 178	-	127	3 291
Movements	94	74	-	191	(359)	-
Sale	(798)	(1 047)	(1 196)	(13)	-	(3 054)
Liquidation	(2)	(26)	-	(5)	-	(33)
Depreciation	(1 238)	(9 561)	(8 080)	(2 317)	-	(21 196)
Impairment write-offs	(701)	(87)	-	-	-	(788)
Other decreases	(1 543)	-	(292)	(151)	-	(1 986)
Variances due to currency translation	212	411	151	68	1	843
Net book value at the end of the year	**48 507**	**68 676**	**54 104**	**11 035**	**5 029**	**187 351**
As at 31.12.2013						
(Gross) cost or value from valuation	70 978	180 340	117 338	29 346	5 240	403 242
Depreciation and imparment write-offs	(22 683)	(112 075)	(63 385)	(18 379)	(212)	(216 734)
Variances due to currency translation	212	411	151	68	1	843
Net book value	**48 507**	**68 676**	**54 104**	**11 035**	**5 029**	**187 351**

Financial year ended 31.12.2012	**Land, buildings and structures**	**Machines and equipmen t**	**Vehicles**	**Other fixed assets**	**Fixed assets under constructio n**	**Total**
Net book value at the beginning of the year	**75 256**	**139 216**	**76 194**	**15 208**	**10 638**	**316 512**
Increases - purchase	12 482	4 729	5 241	1 899	848	25 199
Loss of control over the subsidiary	(32 053)	(55 979)	(13 575)	(4 326)	(9 323)	(115 256)
Other increases	335	-	-	46	-	381
Movements	557	-	-	50	(607)	-
Sale	(1 658)	(1 116)	(514)	(44)	-	(3 332)
Liquidation	(46)	(127)	(84)	(36)	-	(293)
Depreciation	(2 069)	(10 971)	(8 892)	(2 410)	-	(24 342)
Other decreases	-	(666)	(439)	(70)	-	(1 175)
Variances due to currency translation	(1 155)	(2 278)	(871)	(537)	(4)	(4 845)
Net book value at the end of the year	**51 649**	**72 808**	**57 060**	**9 780**	**1 552**	**192 849**

Other increases in 2013 of PLN 2,178k apply to the purchase of transport under finance lease agreements .

(amounts in thousand PLN, unless stipulated otherwise)

As a result of the restructuring of Przedsiębiorstwo Drogowo-Mostowe Bialystok (PDM Białystok) in the current year, the Group has reviewed the recoverable amount of fixed assets belonging to PDM Bialystok . As a result of the review for impairment of PLN 788k, which was included in the profit and loss account. The recoverable amount of individual assets was determined based on their value in use. The value in use was assessed by an independent valuer who is qualified to carry out the relevant property valuation . The value in use of real estate, which concerned the impairment loss was estimated using the income method: simple capitalization technique. The adopted simple capitalization ratio stood at 9.9% - 10.5%.

In 2012, the Group also assessed the recoverable amount of fixed assets belonging to PDM Bialystok on the basis of the discounted cash flows model for the 5-year projection for the company PDM Bialystok. The following assumptions were made in the model: discount rate at 7.09 % and the growth rate in the residual period equal to 2%. Following the evaluation, there was no impairment write-off of fixed assets.
An impairment loss of fixed assets was included in the income statement under other operating expenses.

The ownership structure of assets:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Proprietary	161 899	166 193	246 987
Used on the basis of lease, rental or other agreement, including leasing agreement	25 452	26 656	69 525
Total	**187 351**	**192 849**	**316 512**

Based on the perpetual usufruct of land, the Group owns lands of value 26 452 thousand PLN. Information about lands security is included in note No. 57.

23. Investment property

The below table presents changes of investment real property during the year:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
As at start of period (by type groups) - net value:	**17 800**	**15 896**	**10 344**
- land	13 881	11 116	10 344
- buildings, premises, civil and water engineering structures	3 919	4 780	-
Increases:	**11 345**	**2 765**	**5 552**
- land	8 695	2 765	772
- revaluation	1 964	2 765	772
- movement from fixed assets	6 731	-	-
- buildings, premises, civil and water engineering structures	3 829	-	4 780
- revaluation	2 693	-	4 780
- movement from fixed assets	1 136	-	-
Decreases	**-**	**861**	**-**
- land	-	-	-
- buildings, premises, civil and water engineering structures	-	861	-
- revaluation	-	861	-
As at end of period (by type groups) - net value:	**30 324**	**17 800**	**15 896**
- land	22 576	13 881	11 116
- buildings, premises, civil and water engineering structures	7 748	3 919	4 780

The fair value of investment property as at 31 December 2013 and 31 December 2012 was estimated on the basis of a valuation carried out on these days by an independent valuer who is qualified to carry out the appropriate property valuations and has a recent experience in such valuations made in locations similar to the Group's properties locations .

(amounts in thousand PLN, unless stipulated otherwise)

Valuation of the following investment property:

- belonging to the Parent Company , i.e. the properties located at Skaryszewska and Golędzinowska street;
- belonging to the subsidiary Dalba the property of "Natural aggregate deposits Bobrowniki"

were carried out by reference to the market prices of similar properties (the comparative method). The comparative approach is to determine the value of the property on the assumption that the value of assessed property equal to the price that was achieved for the property that were traded in the market , adjusted due to the differing characteristics of these properties (ie, location , equipment / condition management , surface) and determined with regard to changes in the price level as a result of the passage of time . The sensitivity analysis shows that the valuation model is sensitive to changes in prices of similar real estate adopted for the valuation.

The property "Natural aggregate deposits Nowowola" was estimated using the income method , investment technique. Fair value was determined as the sum of the discounted stream of income from the extraction of aggregates increased by the residual value of the property in the last year of the forecast . The discount rate is assumed at 10%. The valuation used a 10-year projections of income from the property. Size of income from the property was determined based on analysis of data from the local market and details of resource deposits. The residual value of the land after the exploitation of the deposit has been determined on the basis of average transaction prices of agricultural land classes weak for the province Podlasie. Described valuation model is sensitive to the level of the discount rate and the size of the expected income streams from the property.

The table presents the impact of unobservable inputs on the fair value of the property according to accepted valuation techniques.

Valuation technique used	Unobservable input data	The relationship between the unobservable input data and the fair value
Income approach	Discount rate	increase in the discount rate would decrease the fair value of the property
	Wealth deposits	the expected growth of the deposit will increase the fair value of the property
	Average sales price of aggregate	increase in the average selling price would increase the fair value of the property
Market approach	Location (40%) State of development (20%-40%) Surface (20%)	these factors affect the fair value of real estate in the extent shown in brackets
	Average market price of comparable real estate	increase in the market price of comparable real estate will increase in the fair value of real estate

During the year 2013 there has been no change in the valuation technique.

Details of the fair value hierarchy as at 31 December 2013 and 31 December 2012 are presented below:

	31.12.2013	Level 1	Level 2	Level 3
Investment property	**30 324**	-	-	30 324

	31.12.2012 Modified	Level 1	Level 2	Level 3
Investment property	**17 800**	-	-	17 800

Hierarchy of fair value is as follows:

Level 1 – prices of market quotations from active markets for identical assets and liabilities;
Level 2 – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (using techniques based on actual transactions);
Level 3 – prices not from active markets.

(amounts in thousand PLN, unless stipulated otherwise)

There were no transfers between levels 1, 2 and 3 during the year.

Reconciliation of opening and closing balances of fair value is shown below:

	31.12.2013	31.12.2012 Modified
As at the beginning of the period (Level 3)	**17 800**	**15 896**
Transfers from fixed assets	7 867	-
Gains/ (losses) recognized in profit and loss account	4 657	1 904
As at the end of the period (Level 3)	**30 324**	**17 800**

In 2013, the profit of PLN 4,657k was recognized in the Profit and loss account (2012: PLN 1,904k) due to revaluation of investment properties to fair value.

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

	Financial year ended	
	31.12.2013	31.12.2012 Modified
Rental income from investment property	296	202
Direct operating expenses from investment property that during the period generated rental income	375	139
Direct operating expenses from investment property that during the period did not generate rental income	-	-

24. Goodwill

The Group presents at the balance sheet date in the consolidated financial statement, the goodwill of total value PLN 428 729k (31.12.2012: PLN 426,431), which was included in the following balance sheet items:
- goodwill upon consolidation – PLN 375,217k (31.12.2012: PLN 372,918k),
- intangible assets – PLN 53,512k (31.12.2012: PLN 53,512).

Goodwill upon consolidation according to the companies:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Torprojekt Sp. z o.o.	822	822	822
Grupa AB Kauno Tiltai	374 395	372 096	379 231
PDM w Brzesku Sp. z o.o.	-	-	300
Total	**375 217**	**372 918**	**380 353**

The goodwill recognized in the balance sheet as at 31 December 2013 in the amount of PLN 822k consists of goodwill relating to the acquisition of the Torprojekt sp. z o.o., while the amount of PLN 374,395k consists of goodwill from the purchased of AB Kauno Tiltai. Goodwill AB Kauno Tiltai presented in this report differs from that presented in the consolidated financial statements for the year 2012 due to the impact of foreign currency translation in the amount of PLN 2,299k.

Test for goodwill impairment

In connection with the pending reorganization process at the Trakcja PRKiI Group and the resulting change in composition of cash generating centres, to which goodwill is assigned, goodwill was re-assigned to the centres that were changed. PEUIM, Dalba and PDM Białystok companies, which were previously included in the cash generating centre - road segment, after the present change were moved to another cash generating centre – civil engineering segment. The decision on changing the composition of cash generating centres was a result of the Group's changes in processes of asset management, obtaining financial data, and monitoring results.

The cash generating centre - civil engineering segment was assigned with goodwill of PLN 177 599 thousand, consisting of:

- goodwill generated due to purchasing shares of Torprojekt Sp. z o.o. (PLN 822 thousand);

(amounts in thousand PLN, unless stipulated otherwise)

- goodwill generated due to acquisition of PRK 7 S.A, presented in intangible values (PLN 46 681 thousand);

- goodwill generated due to acquisition of PRKiI, presented in intangible values (PLN 2 051 thousand);

- goodwill allocated pursuant to the relative values method to PEUIM, Dalba, and PDM Białystok companies (PLN 128 044 thousand).

The cash generating centre - road segment was assigned with goodwill of PLN 246 354 thousand, generated due to acquisition of the AB Kauno Tiltai group.

As at 31 December 2013, a test was conducted on impairment of goodwill assigned to both cash generating centres in civil engineering segment and road segment. Recoverable value of the cash generating centre is set based on calculations of the use value. These calculations are applied in 5-year cash flow projections. Cash flows exceeding the 5-year period were estimated at a fixed level. The growth rate during a residual period was adopted as 2% and it does not exceed the long-term inflation rate. Calculations adopt EBITDA at the level of 3.1% to 3,4% for the civil engineering segment (companies operating on the Polish market) and 4.2% to 6.3% for the road segment (companies operating on the Lithuanian market). The applied discounting rate before taxation was 9.3% for the civil engineering segment and 8.9% for the road segment. The Management Board set the budgeted margin based on historical results, updated contract budgets, and own estimations concerning market development. Weighted average growth rates are in line with forecasts presented in branch reports. The applied discounting rate is a rate before taxation reflecting certain risks concerning individual segments, not accounted for in cash flow forecasts, and it is calculated based on the CAPM model.

The conducted impairment test indicated no impairment of goodwill assigned to both aforementioned cash flow generating centres.

The conducted sensitivity analysis indicates that important factors affecting estimations of the use value of cash flow generating centres include profitability of performed construction contracts and discounting rate, and rate of growth during the residual period.

Presented below is an analysis of sensitivity of the recoverable value of cash flow generating centres to changes of individual indicators applied in the impairment test.

The sensitivity analysis for the civic building segment:

Factor applied	**Reasonably possible change of the factor**	**The impact on the recoverable amount of cash-generating unit**	
		increase	**decrease**
EBITDA margin	+/- 5%	30 695	(30 695)
risk free rate	+/- 1%	(60 383)	81 846
Beta index	+/- 20%	(47 812)	60 341

The sensitivity analysis for the road segment:

Factor applied	**Reasonably possible change of the factor**	**The impact on the recoverable amount of cash-generating unit**	
		increase	**decrease**
EBITDA margin	+/- 5%	27 802	(27 802)
risk free rate	+/- 1%	(51 498)	71 740
Beta index	+/- 20%	(40 872)	52 666

As at 31 December 2012, the Group conducted an impairment test relating to goodwill assigned to cash flow generating centres identified as of this balance sheet date – the road segment and the railway segment. Recoverable value of cash flow generating centres was set based on their use value, determined pursuant to the method of discounted cash flows before taxation. The following parameters were applied to set the use value: discounting rate of 7.0% for the railway segment and 7.7% for the road segment. The growth rate during the residual period was adopted at 2%. The use value was determined pursuant to 5-year forecasts for the road segment based on the budgeted EBITDA at the level of 5.2% - 6.8%, and 0.6% - 3.1% for the railway segment; historical results, updated contract budgets, and market development expectations. No goodwill impairment was determined based on test results.

(amounts in thousand PLN, unless stipulated otherwise)

Goodwill in intangible values
Presented goodwill in intangible assets, valued at PLN 53 512 thousand, results from:

- acquisition and merger with PRK 7 S.A. (PLN 46,681 thousand);
- purchasing shares of PRK 7 Nieruchomości (PLN 4 780 thousand);
- acquisition and merger with PRKiI S.A. (PLN 2,051 thousand)

Goodwill generated upon acquisition of PRK 7 S.A. (PLN 46 681 thousand) and PRKiI S.A. (PLN 2 051 thousand) in 2013 were subject to an impairment test within the scope of a test for the cash flow generating centre – the civil engineering segment. Details of the conducted test and sensitivity analysis are described above.

Assumptions adopted for the impairment test concerning goodwill generated from the acquisition of PRK 7 S.A. (PLN 46 681 thousand) conducted as at 31 December 2012 are presented below:

- growth rate during the residual period at 2%;
- EBITDA between 0.6 % and 3.1 %;
- discounting rate before taxation at 7.09 %.

No goodwill impairment was found as a result of the test conducted as at 31 December 2012.

The goodwill of PLN 4 780 thousand was assigned to the cash flow generating centre - other segment, which covers PRK 7 Nieruchomości. The goodwill impairment test was conducted as at 31 December 2013. Recoverable value of the cash flow generating centre was determined based on its use value, determined pursuant to the method of discounted cash flows before taxation. For the purpose of determining the use value, the following parameters were adopted: discounting rate of 9.8% (31/12/2012: 7.0%) and growth rate during the residual period equal to long-term inflation at the level of 2% (31/12/2012: 2%). The use value was determined based on the 5-year forecast of PRK7 Nieruchomości based on adopted schedules of investment execution and sale of apartments. Average level of EBITDA during the 5-year projection was 12% (31/12/2012: 10%). No goodwill impairment was determined based on test results.

The sensitivity analysis for the remaining segment, which includes the company PRK7 Nieruchomości:

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA margin	+/- 5%	1 155	(1 155)
risk free rate	+/- 1%	(21 293)	28 942
Beta index	+/- 20%	(16 866)	21 331

25. Intangible assets

Structure of intangible assets:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Research and development costs	4 558	1 470	673
Goodwill	53 512	53 512	53 512
Acquired concessions, patents, licences and similar items of value, incl	743	880	2 957
- software	693	814	1 214
Customer relationships	-	-	1 571
Other intangible assets	15	149	1 132
Intangible assets under construction	1 334	3 864	2 588
Total	**60 161**	**59 875**	**62 433**

(amounts in thousand PLN, unless stipulated otherwise)

Tables of intangible assets movement:

Financial year ended 31.12.2013	**Research and develop-ment expenses**	**Goodwill**	**Software licences**	**Other licences, conces-sions, patents**	**Customer relation-ships**	**Other intangible assets**	**Intangible assets under construc-tion**	**Total**
Net book value at the beginning of the year	**1 470**	**53 512**	**813**	**68**	**-**	**149**	**3 862**	**59 875**
Increases	125	-	384	-	-	9	918	**1 436**
Movements	3 447	-	-	-	-	-	(3 447)	**-**
Liquidation	-	-	(6)	-	-	-	-	**(6)**
Amortisation	(500)	-	(470)	(18)	-	(146)	-	**(1 133)**
Other decreases	-	-	(32)	-	-	-	-	**(32)**
Variances due to currency translation	16	-	3	-	-	2	-	**22**
Net book value at the end of the year	**4 558**	**53 512**	**693**	**50**	**-**	**15**	**1 334**	**60 161**
As at 31.12.2013								
(Gross) cost or value from valuation	7 078	53 512	5 933	246	-	647	1 334	68 749
Depreciation and imparment write-offs	(2 536)	-	(5 243)	(196)	-	(634)	-	(8 610)
Variances due to currency translation	16	-	3	-	-	2	-	22
Net book value	**4 558**	**53 512**	**693**	**50**	**-**	**15**	**1 334**	**60 161**

Financial year ended 31.12.2012	**Research and develop-ment expenses**	**Goodwill**	**Software licences**	**Other licences, conces-sions, patents**	**Customer relation-ships**	**Other intangible assets**	**Intangible assets under construc-tion**	**Total**
Net book value at the beginning of the year	**673**	**53 512**	**1 214**	**1 743**	**1 571**	**1 132**	**2 588**	**62 433**
Increases	478	-	490	2	-	50	1 276	2 296
Loss of control over the subsidiary	-	-	(307)	(1 656)	-	(24)	-	(1 987)
Movements	774	-	-	-	-	(774)	-	-
Amortisation	(434)	-	(566)	(22)	(1 571)	(181)	-	(2 774)
Variances due to currency translation	(21)	-	(17)	(1)	-	(54)	-	(93)
Net book value at the end of the year	**1 470**	**53 512**	**814**	**66**	**-**	**149**	**3 864**	**59 875**
As at 31.12.2012 Modified								
(Gross) cost or value from valuation	3 400	53 512	6 276	248	11 530	849	3 864	79 679
Depreciation and imparment write-offs	(1 909)	-	(5 445)	(181)	(11 530)	(646)	-	(19 711)
Variances due to currency translation	(21)	-	(17)	(1)	-	(54)	-	(93)
Net book value	**1 470**	**53 512**	**814**	**66**	**-**	**149**	**3 864**	**59 874**

The ownership structure of intangible assets:

	31.12.2013	**31.12.2012 Modified**	**1.01.2012 Modified**
Proprietary	60 164	59 875	61 790
Used on the basis of lease, rental or other agreement, including leasing agreement	-	-	643
Total	**60 164**	**59 875**	**62 433**

(amounts in thousand PLN, unless stipulated otherwise)

26. Other financial assets

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Financial assets at fair value through profit or loss	**-**	**29**	**30**
Participation units in investment fund	-	29	30
Financial assets available for sale	**695**	**-**	**-**
Financial assets related to the concession agreement	695	-	-
Financial assets held to maturity	**57 940**	**49 086**	**53 195**
Bank guarantees deposits	57 837	49 086	53 195
Other	103	-	-
Loans granted and receivables	**2 125**	**4 049**	**6 770**
Total	**60 760**	**53 164**	**59 995**
including:			
- recognised as non-current assets	25 665	26 742	31 228
- recognised as current assets	35 095	26 422	28 767

27. Investments in the co-controlled company

Co-controlled companies

The Group owns 50% of shares in Bahn Technik Wrocław Sp. z o.o., which is engaged in track related works, including welding, regeneration of vehicles and installation for railway subgrade.

From 1 January 2014 as a result of the change in IFRS 11 the Group will change BTW consolidation method from proportional method to the equity method. The impact of this change is described in note 8.

On 31 December 2013 and for the fiscal year that ended at this day, share of the Group in assets, liabilities, incomes and costs of the co-controlled company, that were included in the consolidated financial statement, was as follows:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Non-current assets	5 068	5 184	3 997
Current assets	8 396	6 640	9 897
Equity	8 644	6 775	5 406
Long-term liabilities	257	183	88
Short-term liabilities	4 563	4 866	8 400
Sales revenues	17 504	14 300	16 928
Cost of goods sold	(14 215)	(11 985)	(13 372)
General and administrative costs	(807)	(624)	(722)
Cost of sales, marketing and distribution	(108)	(92)	(59)
Net other operating activity	51	(5)	(41)
Net financial activity	(66)	144	(347)
Gross profit	2 358	1 738	2 387
Income tax	478	369	465
Net profit for the period	**1 880**	**1 369**	**1 922**

(amounts in thousand PLN, unless stipulated otherwise)

28. Prepayments and accruals

Structure by type of prepayments and accruals:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Prepayments, including:	6 835	9 818	13 365
- insurance and insurance guarantees	5 183	7 984	12 106
- commissions paid	342	295	267
- PKP (Polish Railways) identification documents	96	138	213
- repair and maintenance of wagons, locomotives	1 215	1 401	779
Other prepayments and accruals	3 614	509	735
Total	**10 449**	**10 327**	**14 100**

Ageing of prepayments and accruals:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Long-term	1 891	3 496	4 133
Short-term	8 558	6 831	9 967
Total	**10 449**	**10 327**	**14 100**

29. Inventory

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Materials	66 969	53 379	71 278
Semi-finished goods and products in progress	20 210	10 012	13 522
Finished goods	2 723	17 100	46 706
Merchandise	11 382	11 307	17 508
Inventory for resale	3 591	3 747	3 908
Total, gross inventory	**104 875**	**95 545**	**152 922**
Inventory revaluation write-offs	**(1 218)**	**(1 680)**	**(2 181)**
Materials	65 777	51 727	69 125
Semi-finished goods and products in progress	20 210	10 012	13 521
Finished goods	2 696	17 073	46 679
Merchandise	11 382	11 307	17 508
Inventory for resale	3 591	3 747	3 908
Total, net inventory	**103 656**	**93 866**	**150 741**

Change in impairment of inventories:

	Financial year ended 31.12.2013	31.12.2012 Modified
At the beginning of the period	**1 680**	**1 651**
Increases	**297**	**318**
Created	297	318
Decreases	**766**	**304**
Used	95	166
Dissolve	671	138
Exchange rate differences	**7**	**15**
At the end of the period	**1 218**	**1 680**

The inventory is secured, according to note No. 57.

(amounts in thousand PLN, unless stipulated otherwise)

30. Trade receivables and other receivables

Structure of trade receivables and other receivables:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Gross trade receivables, before discounting	**565 513**	**189 156**	**503 629**
Discounting of receivables	-	-	(198)
Total, gross trade receivables	**565 513**	**189 156**	**503 431**
including:			
- receivables from related entities	-	-	1 444
Budgetary receivables	942	493	698
Receivables claimed in court	2 024	464	433
Other receivables from third parties	5 501	14 607	10 011
Amounts held	89 006	60 991	38 491
Advances paid	3 756	1 453	7 666
Total, gross trade and other receivables	**666 742**	**267 164**	**560 730**
Receivables revaluation write-offs	(29 634)	(21 405)	(18 161)
Total	**637 108**	**245 759**	**542 569**

Receivables from the related companies are shown in note No. 57.

Trade receivables and amounts held:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Net trade receivables			
With maturity within 12 months	621 752	205 801	505 317
With maturity over 12 months	5 688	23 932	19 517
Discounting of receivables	-	-	(198)
Total, net trade receivables after discounting	**627 440**	**229 733**	**524 636**

Trade receivables are not interest bearing and their maturity is usually 30 days.

The Group has implemented special policy within the scope of making the sales only to verified customers. In the management opinion, thanks to this, there is no additional credit risk over the level specified by the write down concerning bad debt, proper for the trade receivables of the Group. At the balance sheet date 65% of the total receivables of the Trakcja PRKiI Group are the receivables of PKP PLK S.A.

Receivables with maturity over 12 months include withheld amounts which are the additional performance bond.

At the balance sheet date, current value of receivables with maturity over 12 months is established by updating the discount amount in relation to time expiry.

Change of the write downs concerning the receivables amount:

(amounts in thousand PLN, unless stipulated otherwise)

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
As at start of period	**21 405**	**18 161**	**1 373**
Increases	**9 077**	**16 030**	**28 373**
Establishment	9 077	16 030	16 818
Subsidiary taken-over through full consolidation	-	-	11 555
Decreases	**779**	**(12 789)**	**(11 909)**
Use	(272)	(976)	(563)
Dissolution	507	(464)	(11 346)
Loss of control over subsidiaries	-	(11 349)	-
Variances due to currency translation	**(68)**	**3**	**324**
As at end of period	**29 634**	**21 405**	**18 161**

Structure of overdue trade receivables:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Up to 1 month	81 789	13 118	68 293
From 1 month to 3 months	3 254	17 204	13 276
From 3 months to 6 months	1 621	21 020	11 629
From 6 months to 1 year	2 131	6 567	2 509
More than 1 year	36 345	6 269	13 931
Total, gross overdue trade receivables	**125 141**	**64 178**	**109 638**
Receivables revaluation write-offs	(27 080)	(20 415)	(17 285)
Total, net overdue trade receivables	**98 061**	**43 763**	**92 353**

Currency structure of trade receivables and other receivables:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
In PLN	443 011	143 947	440 876
In foreign currencies - after conversion into PLN, including:	223 733	123 217	119 854
in LTL	218 461	117 408	106 992
in EUR	1 925	5 809	12 862
in LVL	3 347	-	-
Total	**666 743**	**267 164**	**560 730**

Trade receivables according to maturities:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Up to 1 month	180 693	72 779	247 691
From 1 month to 3 months	234 719	70 822	151 772
From 3 months to 6 months	37 740	4 101	12 095
From 6 months to 1 year	68 798	14 065	1 009
More than 1 year	7 429	24 203	19 715
Overdue receivables	125 141	64 178	109 638
Total, gross trade receivables	**654 519**	**250 147**	**541 920**
Revaluation write-offs on trade receivables	(27 080)	(20 414)	(17 284)
Total, net trade receivables	**627 440**	**229 733**	**524 636**

Receivables asserted in court:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Receivables claimed in court	2 024	464	433
Revaluation write-offs on receivables claimed in court	(2 024)	(464)	(433)
Total	**-**	**-**	**-**

(amounts in thousand PLN, unless stipulated otherwise)

The due receivables with their maturity over 12 months include withheld amounts which make additional collaterals for proper performance of the contract. The structure of maturity of retained amounts in total was included in the table below:

Maturity	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Up to 12 months	84 428	38 443	21 420
Over 12 months	4 578	22 548	17 071
Total	**89 006**	**60 991**	**38 491**

31. Cash and equivalent

Cash in bank is interest bearing according to variable interest rates which amount depends on the interest rate of one day bank investments.

Short term investments are made for different periods, from one day to one month, depending on the current demand of the Capital Group for cash and bear interest according to negotiated interest rates.

On 31 December 2013 the Trakcja PRKiI Capital Group had at its disposal unused granted short term credit means in amount PLN 130,054k, on 31 December 2012 – PLN 58,993k.

Currency structure of cash and equivalents:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
In PLN	31 763	61 703	130 352
In foreign currencies - after conversion into PLN, including:	52 253	59 490	92 210
in EUR	3 627	403	49 065
in LTL	42 637	57 360	43 087
in LVL	1 148	-	-
Total	**84 016**	**121 193**	**222 562**

Balance of cash and equivalents shown in the consolidated cash flow statements is presented in note No. 51.

32. Construction contracts

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Revenues recognised in income statement in the period	1 605 565	1 267 009	1 763 267
Costs recognised in income statement in the period	1 506 695	1 231 231	1 697 060
Gross profit / (loss)	**98 870**	**35 778**	**66 207**

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Surplus of invoiced revenues over revenues resulting from degree of advancement	33 940	15 804	15 180
Surplus of revenues resulting from degree of advancement over invoiced revenues	25 159	54 129	89 390
Advances paid towards contracts being performed	29 722	80 003	20 549
Advances received towards contracts being performed	87 233	116 145	106 433
Provision for anticipated losses on contracts	29 295	1 711	29 757
Recognised in balance sheet:			
in current assets			
Construction contracts	**54 881**	**134 131**	**109 939**
in short-term liabilities			
Construction contracts	**150 467**	**133 660**	**151 370**

Principles of calculating the set incomes on sale:

Income on performing a construction and installation service covered by uncompleted contract is actually borne costs increased by the assumed margin in the given contract calculated in %.

Actual incomes booked in the given period are corrected against the incomes set in order to receive the margin stipulated in the given contract, according to the below formula:

$$Su = K/(1-m)$$

where:

Su – established sale

K – sustained actual costs

m – margin in % assumed for the given contract, resulting from the developed costs budget

Incomes established for the contracts settled in Euro are calculated according to the following principles:

- margin in % in case of contracts in Euro is calculated every month and it is a function of PLN / EUR exchange rate calculated based on the following formula:

$$M = (Pp – Kp)/Pp$$

where:

Pp – conversion incomes

Kp – conversion costs

Conversion incomes (Pp) are calculated according to the below formula:

$$Pp = Pz + Pf * krPLN/EUR$$

where:

Pz – incomes booked in Polish Zloty

Pf – incomes to be invoiced in Euro in the future krPLN/EUR – average Euro exchange rate at the end the given month (announced by the National Bank of Poland)

(amounts in thousand PLN, unless stipulated otherwise)

Conversion costs (Kp) are calculated according to the below formula:

Kp = Kz + Kf PLN + Kf EUR * krPLN/EUR

where:

Kz – costs booked in Polish Zloty

Kf PLN – costs to be invoiced in Polish Zloty in the future

Kf EUR– costs to be invoiced in Euro in the future

The calculated conversion sale and conversion costs are put in the formula related to margin, then the calculated margin in % is put in the established sale formula.

33. Capital management

The goal of the Group in managing the capital risk is maintaining the Group ability to continue the business and maintain optimum capital structure to provide return on investment to the shareholders. To maintain or correct the capital structure, the Group may emit new shares, change the amount of dividends paid to the shareholder, increase debt or reduce debt by selling the assets. The Group monitors the capital structure using the financing structure indexes. Indexes analyzed by the Group, presented in the below table, allow maintaining both good credit rating and confirm the capital structure support for the operational business of the Group.

	31.12.2013	**31.12.2012 Modified**	**1.01.2012 Modified**
Equity to assets ratio	0,38	0,37	0,28
Equity to non-current assets ratio	0,88	0,70	0,62
Debt ratio	0,62	0,63	0,72
Debt to equity ratio	1,60	1,70	2,63

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

Equity to assets ratio = equity / total assets

Equity to non-current assets ratio = equity / non-current assets

Debt ratio = (total assets - equity) / total assets

Debt to equity ratio = (total assets - equity) / equity

34. Equity

Share capital:

	31.12.2013	**31.12.2012 Modified**	**1.01.2012 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	-	-
Total	**411 196 384**	**232 105 480**	**232 105 480**

(amounts in thousand PLN, unless stipulated otherwise)

On 19 April 2011, the Company issued 72 000 000 A series subscription warrants, each of which gave the holder the right to taking up 1 G series bearer share of the Company. On 19 April 2011, the Sellers took up all the subscription warrants offered to them, and on 19 April 2011 they exercised the rights attached to these warrants, taking up the total number of 72 000 000 G series shares of the Company in the increased (on the basis of Resolution No. 3 of the Extraordinary Meeting of Shareholders of 19 January 2011) share capital of the Company.

In connection with the issuance of shares of series G there was a surplus on sale of shares above their nominal value at the amount of 50 388 thousand PLN which was reduced by the costs of issuing the shares at the amount of 4 604 thousand PLN. In the fiscal year of 2011 the Trakcja PRKiI S.A Company received a refund of corporate income tax referring to the incurred costs of its share issuance in 2007-2008. As on 31 December 2011 a total surplus on sale of shares above their nominal value amounted to 231 591 thousand PLN.

Conditional capital increase:

By virtue of the Resolution No. 5 of the Extraordinary General Meeting of Shareholders dated 12 December 2012, the share capital of Trakcja PRKiI S.A. was conditionally increased by the maximum amount of PLN 18,545,436. The share capital is to be increased by way of issuing the maximum of 185,454,360 ordinary bearer H-shares with the nominal value of PLN 0.10 each. The share capital is to be increased by way of issuing H-shares upon the exercise by the holders of convertible bonds their right to acquire H-shares (the holders of registered bonds will have the right to convert such bonds into ordinary bearer H-shares). The right to acquire H-shares is to be exercised within the conversion period by 31 March 2013. On 21 December 2012, the District Court of the City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, entered the change involving the conditional increase in the share capital into the register.

Upon the conversion of the bonds into shares, the Company's share capital is PLN 41,119,638.40 and is divided into 411,196,384 shares, which give the right to the same number of votes at the Company's general meeting of shareholders.

Ownership status at the date of Statement approval is as follows:

Shareholders	**Number of shares**	**% in the share capital**	**Number of votes**	**% in votes at GSM**
COMSA S.A.	118 418 237	28,80%	118 418 237	28,80%
ING OFE	60 846 729	14,80%	60 846 729	14,80%
OFE PZU	34 797 195	8,46%	34 797 195	8,46%
Other shareholders	197 134 223	47,94%	197 134 223	47,94%
Total	**411 196 384**	**100,00%**	**411 196 384**	**100,00%**

Shareholding structure has not changed since the date of the balance sheet date of approval of this report.

Other reserve capitals:

Other capitals, apart from the ones described above, derive from profit write-offs generated during the previous fiscal years. The Parent Company is obliged to create reserve capital to be increased by at least 8% of the profit generated in the given fiscal year, until this capital reaches at least on third of the initial capital. The capital is not subject for any division.

- Results from previous years - capital arising from the profits generated in the previous financial years. The Parent Company is obliged to create reserve capital to be increased by at least 8% of the profit generated in the given fiscal year, until this capital reaches at least on third of the initial capital. The capital is not subject for any division.

- Hedging instruments - effective portion of changes in fair value of derivatives designated as cash flow hedges is recognized in other comprehensive income and accumulated under the capital reserve for cash flow hedges. This capital is not subject for any division.

- Gains (losses) - Group recognizes actuarial gains and losses due to provisions for employee benefits in other comprehensive income and accumulate them as reserve capital. This capital is not subject for any division.

(amounts in thousand PLN, unless stipulated otherwise)

Revaluation capital:

The revaluation capital includes the perpetual usufruct right obtained by the Parent Company free of charge posted based on the administrative decision representing the grounds for establishing the annual charge, considering the deferred tax effect. The revaluation reserve also includes the effects of changing the use of fixed assets as at January 1, 2013.

FX differences from conversion of foreign units:

In reference to the acquisition of the companies from AB Kauno Tiltai Group for which the functional currency is LTL, the Parent Company converts the statements for its functional currency (PLN). The exchange rate differences generated because of such conversion are included directly in a separate item within the equity. The foreign exchange differences at the end of 2013 totalled PLN 8,349k.

Retained financial result:

Retained earnings of the Group include the result for the current financial year. Dividends may be paid on the basis of profit or loss determined in separate annual financial statements of the Parent Company prepared for statutory purposes.

35. Non-controlling interests

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
As at start of period	**1 792**	**18 600**	**141**
Increases, including:	**615**	**-**	**64 995**
- changes in ownership interests in subsidiaries that do not result in loss of control	497	-	-
- total comprehensive income for the period	118	-	-
- acquisition of non-controlling shares	-	-	16 525
- acquisition of the result entitlement attributable to non-controlling shareholders	-	-	48 382
- consolidation adjustment	-	-	88
Decreases, including:	**-**	**16 808**	**46 536**
- loss of control over the subsidiary	-	15 549	-
- total comprehensive income for the period	-	848	46 536
- purchase of own shares by a subsidiary	-	411	-
As at end of period	**2 407**	**1 792**	**18 600**

(amounts in thousand PLN, unless stipulated otherwise)

36. Provisions

	Provisions for recultivation	Provisions for granted guarantees	Provisions for litigious liabilities	Provisions for correction works	Provisions for bonuses	Provisions for balance sheet audit	Other provisions	Total
As at 1.01.2013 Modified	**780**	**-**	**974**	**5 732**	**3 843**	**360**	**1 867**	**13 556**
Recognised in income statement:								**-**
- provision creation	-	-	136	2 549	7 307	468	6 420	16 881
- release of unused provisions	-	-	(193)	(280)	-	(112)	-	(585)
- use of provisions	(25)	-	(266)	(1 213)	(3 762)	(457)	(808)	(6 531)
- variances due to currency translation	12	-	3	20	10	(1)	-	44
Total	**(13)**	**-**	**(320)**	**1 076**	**3 555**	**(102)**	**5 612**	**9 808**
As at 31.12.2013	**767**	**-**	**654**	**6 808**	**7 398**	**258**	**7 479**	**23 364**

	Provisions for recultivation	Provisions for granted guarantees	Provisions for litigious liabilities	Provisions for correction works	Provisions for bonuses	Provisions for balance sheet audit	Other provisions	Total
As at 1.01.2012 Modified	**862**	**195**	**1 177**	**5 833**	**1 284**	**613**	**15 338**	**25 302**
Recognised in income statement:								**-**
- provision creation	217	-	56	3 404	3 902	626	1 467	9 672
- release of unused provisions	(217)	-	(207)	(362)	(150)	(60)	-	(996)
- use of provisions	-	-	(37)	(1 978)	(350)	(615)	(2 967)	(5 947)
- loss of control over the subsidiary to the full consolidation method	(19)	(195)	-	(1 051)	(783)	(154)	(11 971)	(14 173)
- variances due to currency translation	(63)	-	(15)	(114)	(60)	(50)	-	(302)
Total	**(82)**	**(195)**	**(203)**	**(101)**	**2 559**	**(253)**	**(13 471)**	**(11 746)**
As at 31.12.2012 Modified	**780**	**-**	**974**	**5 732**	**3 843**	**360**	**1 867**	**13 556**

Ageing structure of provisions

	31.12.2013	**31.12.2012 Modified**	**1.01.2012 Modified**
Long-term	4 226	3 718	3 460
Short-term	19 138	9 838	21 842
Total	**23 364**	**13 556**	**25 302**

The provisions for correcting works were estimated based on the knowledge of individual construction sites managers related to necessity or possibility of performing additional works in aid of the Ordering Party, to fulfil the guarantee obligations.

37. Provisions for employee benefits

Liabilities in respect of provisions for retirement benefits and jubilee awards:

(amounts in thousand PLN, unless stipulated otherwise)

	Provision for retirement and disability benefits	Provision for jubilee awards
As at 1.01.2013 Modified	**3 721**	**8 108**
Total costs recognised in profit and loss account:		
- Interest costs	209	403
- Current service costs	996	1 184
- Past service costs	(438)	(643)
Actuarial gains recognised in other comprehensive income	170	1 457
Benefits paid	(320)	(1 860)
Variances due to currency translation	6	-
As at 31.12.2013	**4 344**	**8 650**

	Provision for retirement and disability benefits	Provision for jubilee awards
As at 1.01.2012 Modified	**6 631**	**13 563**
Total costs recognised in profit and loss account:		
- Interest costs	262	454
- Current service costs	(17)	1 189
- Past service costs	(651)	(680)
Actuarial gains recognised in other comprehensive income	460	1 203
Benefits paid	(687)	(1 657)
Loss of control over the subsidiary	(2 227)	(5 965)
Variances due to currency translation	(50)	-
As at 31.12.2012 Modified	**3 721**	**8 108**

Liabilities due to provisions for unused leave and other employee benefits:

	Provision for unused leaves	Provision for other benefits
As at 1.01.2013 Modified	**6 445**	**22**
Recognised in income statement:		
- provision creation	6 481	1 058
- release of unused provision	(1 069)	-
- use of provision	(5 341)	(875)
Variances due to currency translation	26	-
Total	**97**	**184**
As at 31.12.2013	**6 542**	**206**

	Provision for unused leaves	Provision for other benefits
As at 1.01.2012 Modified	**10 237**	**144**
Recognised in income statement:		
- provision creation	5 486	48
- release of unused provision	(834)	(48)
- use of provision	(5 148)	(122)
- loss of control over the subsidiary to the full consolidation method	(3 124)	-
Variances due to currency translation	(172)	-
Total	**(3 792)**	**(122)**
As at 31.12.2012 Modified	**6 445**	**22**

(amounts in thousand PLN, unless stipulated otherwise)

Ageing structure of liabilities by virtue of employee benefits:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Long-term	10 318	9 552	17 008
Short-term	9 424	8 744	13 567
Total	**19 741**	**18 296**	**30 575**

Principles of creating provisions for employees benefits:

The Group pays the retiring employees amounts of severance payments in the amount specified by the Remuneration Regulations. In relation to this, the Group based on the assessment performed on the grounds of actuarial method, creates a reserve for current amount of liabilities by virtue of severance payments and jubilee prizes.

To assess the reserve amounts for employees benefits at the end of 2013, the discount rate in the Group was between 3.75% to 9.0% (31.12.2012: average level was 3.6%). Average expected growth of remuneration in the Group was assumed at the level of 0,6% (31.12.2012: 0.5%).

Factor applied	Reasonably possible change of the factor	Employee benefits	
		increase	decrease
Discount rate	+/- 1%	958	(839)
Salary growth	+/- 1%	(560)	699

The present value of liabilities for employee benefits equal to their carrying value.

38. Interest bearing bank credits and loans

Interest bearing long term bank credits and loans:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Bank loans	8 950	87 734	114 466
- investment loans	8 950	13 859	19 698
- revolving loans	-	73 875	94 768
Financial lease liabilities	10 571	10 177	19 750
Total	**19 521**	**97 911**	**134 216**

Interest bearing short term bank credits and loans:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Bank loans	148 134	31 024	209 646
- investment loans	50 037	4 909	65 828
- revolving loans	77 295	26 115	110 460
- overdraft	20 802	-	32 934
- other loans	-	-	424
Loans from other entities	11 524	1 065	1 405
Financial lease liabilities	7 809	6 284	19 466
Total	**167 467**	**38 373**	**230 517**
Total short and long term loand and credits	**186 989**	**136 284**	**364 733**

Currency structure of credits and loans of the Capital Group:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
In PLN	137 145	47 354	227 743
In foreign currencies - after conversion into PLN, including:	49 844	88 930	136 990
in EUR	49 844	88 930	136 990
Total	**186 989**	**136 284**	**364 733**

(amounts in thousand PLN, unless stipulated otherwise)

The below table shows log- and short-term liabilities by virtue of credits and loans as on 31 December 2013:

Company name	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	60 000	PLN	31-03-2014	WIBOR O/N + margin	60 000
Trakcja PRKiI S.A.	Alior Bank S.A.	purpose loan for the contract	15 000	PLN	31-03-2014	WIBOR 1M + margin	15 000
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	20 000	PLN	31-03-2014	WIBOR O/N + margin	13 200
Trakcja PRKiI S.A.	Bank Zachodni WBK S.A.	investment	18 000	PLN	31-03-2017	WIBOR 1M + margin	11 568
Trakcja PRKiI S.A.	Bank Zachodni WBK S.A.	investment	7 200	PLN	30-09-2015	WIBOR 1M + margin	2 291
Trakcja PRKiI S.A.	mBank S.A.	overdraft	10 000	PLN	29-01-2015	WIBOR O/N + margin	5 802
Trakcja PRKiI S.A.	mBank S.A.	working capital	12 000	PLN	31-07-2014	WIBOR 1M + margin	4 095
PRK 7 Nieruchomości Sp. z o.o.	Bank Ochrony Środowiska S.A.	investment	16 995	PLN	31-10-2014	WIBOR 1M + margin	10 780
Bahn Technik Wrocław Sp. z o.o.	L.Weiss International	loan from other entities	320	EUR	31-07-2014	fixed interest rate	342
AB Kauno Tiltai	Nordea Dnb	investment	5 685	EUR	01-04-2016	EURIBOR 3M + margi	16 406
AB Kauno Tiltai	Nordea Dnb	investment	6 668	EUR	01-04-2015	EURIBOR 3M + margi	12 071
AB Kauno Tiltai	Nordea Dnb	investment	2 285	EUR	01-04-2015	EURIBOR 3M + margi	5 871
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	3 486	LTL	25-05-2014	non-interest bearing	2 637
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	3 105	LTL	30-05-2014	non-interest bearing	2 528
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	906	LTL	25-11-2014	non-interest bearing	998
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	500	LTL	25-05-2014	non-interest bearing	375
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	2 649	LTL	25-09-2014	non-interest bearing	2 386
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	2 150	LTL	25-06-2014	non-interest bearing	2 258
						Total	**168 608**

A subsidiary of the Group did not meet the condition of the credit of maintaining equity ratio (equity / total assets) at the level indicated in the loan agreement. Failure to meet the above condition is temporary and due to the increase at 31 December 2013 in total assets of the company due to the increase in trade receivables and payables. The high level of trade receivables and liabilities was the result of a late winter and the possibility of intensive works on contracts until the end of 2013. This event has a positive impact on the company's operations and therefore there is no risk of termination of the loan agreement by the bank. After the balance sheet date, the subsidiary received a waiver from the bank that the bank will not request earlier repayment of the loan due to the breach of covenant. In accordance with IAS 1, the Group presented above short-term credit in part .

Trakcja PRKiI S.A. as at 31 December 2013 did not meet the condition of credit contained in the credit agreement. This event will have no negative impact on the situation and results of the Company.

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

(amounts in thousand PLN, unless stipulated otherwise)

39. Bonds

Bond liabilities as at 31 December 2013 amounted to PLN 49,926k.

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

Bond series	Issue date	Maturity date	Nominal value of 1 bond (in PLN)	Series nominal value (in ths. PLN)
C	31.01.2013	31.12.2015	1 000	29 529
E	31.01.2013	31.12.2015	1 000	20 921

On November 16, 2012, the Management Board of Trakcja PRKiI 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.

After the conversion of all bonds series D shares, the share capital of the Company amounts to PLN 41 119 638,40 and divided it to 411 196 384 shares, giving the right to the same number of votes at the general meeting of the Company.

As a result of the conversion of bonds issued by the Company and the Series D share capital increase of the Company's shareholder structure changed, which was reported through current reports. Shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders at the date of the report was presented in Note 34.

On March 1, 2013, the Company purchased for cancellation 5,346 unsecured bonds of series A with a nominal value of PLN 1,000 each and the total nominal value of PLN 5,346k.

The remaining 240 bonds with a nominal value of PLN 240k were redeemed at maturity -12 December 2013.

Bond ageing structure

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Long-term	49 926	12 913	160 040
Short-term	-	147 761	5 695
Total	**49 926**	**160 674**	**165 735**

Interests are payable on the interest payment date falling on 30 June and 31 December each year from the issue date to the maturity date of bonds series C and E and in the maturity date of the bonds series C and E.

(amounts in thousand PLN, unless stipulated otherwise)

40. Other financial liabilities

The item "Other financial liabilities" includes a factoring liability in the amount of PLN 34,718k. The Group entered into a factoring agreement with recourse on 10 May 2013. Funding limit provided for in the contract is PLN 70,000k. Factoring interest is calculated on the basis of variable WIBOR O / N, plus a fixed margin factor.

41. Derivative financial instruments

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Derivaties			
Fair value hedging (assets)	-	-	-
Fair value hedging (liabilities)	570	59	153
including:			
- recognized among non-current assets	-	-	-
- recognized among current assets	-	-	-
- recognized among long-term liabilities	570	-	58
- recognized among short-term liabilities	-	59	95

Instruments securing cash flow

On 5 June 2013 a subsidiary of Trakcja PRKiI, i.e. UAB Palangos aplinkkelis concluded an interest rate swap (IRS) to secure future cash flow for planned interest payment on the term credit. Pursuant to the agreement, the company is the payee of amounts at fixed rate, whereas the bank is the payee of amounts at variable rate. The date of expiry of the collateral relation was set at 31 May 2028. The fair value of the IRS contract is calculated as the current value of estimated future cash flow based on observation of income curves. As at 31 December 2013, the influence of the valuation of the aforementioned securing instrument on long-term liabilities amounted to PLN 426 thousand, and influence on other total revenues was negative and amounted to PLN 362 thousand. The Group performed an assessment of the effectiveness of the security of the concluded IRS transaction. During the reporting period, the security of the interest rate swap was highly effective, and therefore no ineffective part of the IRS valuation was recognized in the profit and loss statement.

Other Derivatives

During the reporting period, the Group concluded interest rate swaps (IRS). The Group did not conclude any derivative contracts for speculation purposes. The Group did not apply hedge accounting during reporting periods covered by the report in regard to aforementioned IRS contracts, therefore they were valuated at fair value through the financial result. In 2013, the assessment of the financial instruments posted in the profit and loss account was PLN 144 thousand and in 2012 this influence was at PLN 321 thousand.

The fair value of the aforementioned IRS contracts is calculated as the current value of estimated future cash flow based on observation of income curves. The IRS contract included in the balance sheet as at 31 December 2013 was classified as level 2 in the fair value hierarchy. No transfers took place between levels 1, 2 and 3 during the financial year.

	31.12.2013	Level 1	Level 2	Level 3
Derivatives	**570**	-	570	-

	31.12.2012 Modified	Level 1	Level 2	Level 3
Derivatives	**59**	-	59	-

Level 1 – prices of market quotations from active markets for identical assets and liabilities;
Level 2 – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (using techniques based on actual transactions);
Level 3 – prices not from active markets.

(amounts in thousand PLN, unless stipulated otherwise)

42. Trade liabilities

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Trade liabilities, before discounting	383 376	267 188	475 269
Discounting of liabilities	-	-	-
Total, net trade liabilities after discounting	**383 376**	**267 188**	**475 269**
including:			
- liabilities from related entities	1 084	1 262	42
Amounts held	63 956	40 615	27 966
Budgetary liabilities	54 686	19 625	44 377
Payroll liabilities	4 496	3 909	6 413
Other liabilities towards third parties	648	1 984	16 698
Dividends and other distributions	40	40	43
Total trade and other liabilities	**507 202**	**333 361**	**570 766**

Liabilities to related companies are given in note No. 57.

Trade liabilities and amount held:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Trade liabilities before discounting	447 332	307 803	475 269
With maturity within 12 months	442 706	285 165	487 697
With maturity over 12 months	4 626	22 638	15 538
Total, Trade liabilities after discounting	**447 332**	**307 803**	**503 235**

Discounting the liabilities:

The Group abandoned the presentation of liabilities discount due to low significance.

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

Currency structure of liabilities by virtue of supplies and services and other liabilities:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
In PLN	332 538	204 161	427 177
In foreign currencies - after conversion into PLN, including:	174 664	129 200	143 589
in EUR	21 795	4 466	45 356
in LTL	152 869	124 408	98 076
in other currencies	-	326	157
Total	**507 202**	**333 361**	**570 766**

Principles and conditions of liabilities payment:

Liabilities by virtue of supplies and services are not interest bearing and usually are settled from 30 to 60 days. Liabilities more than 12 months are withheld amounts related to execution of the construction and installation contracts in order to correctly and on time execute the contract. The remaining liabilities are not interest bearing with average one month maturity. The amount resulting from the difference between the liabilities and receivables by virtue of goods and services tax is paid to proper tax bodies within the periods resulting from tax regulations. Liabilities by virtue of interests are usually settled based on accepted interest notes.

Liabilities falling due more than 12 months include amounts held. The maturity structure of total amounts held is included in the table below:

Maturity	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Up to 12 months	63 956	17 977	16 007
Over 12 months	-	22 638	11 959
Total	**63 956**	**40 615**	**27 966**

(amounts in thousand PLN, unless stipulated otherwise)

43. Liabilities by virtue of operating lease – Group as a lessee

Liabilities according to maturities:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Within 1 year	393	573	164
Within 1 to 5 years	77	442	1 567
Total	**469**	**1 015**	**1 731**

44. Liabilities by virtue of financial lease agreements and lease agreements with purchase option

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Nominal value of minimum leasing fees			
Within 1 year	8 658	7 127	21 147
Within 1 to 5 years	11 986	11 422	21 060
Total financial lease liabilities - total minimum leasing fees	**20 644**	**18 549**	**42 207**
Financial costs on account of financial lease	**(2 264)**	**(2 088)**	**(2 991)**
Present value of minimum leasing fees			
Within 1 year	7 809	6 284	19 466
Within 1 to 5 years	10 571	10 177	19 750
Total present value of minumum leasing fees	**18 381**	**16 461**	**39 216**

45. Prepayments and accruals

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Financial means obtained to finance fixe assets or development works	-	-	1 170
VAT due on the payments to the escrow account	62	-	-
Future revenue clearings	6	94	326
Total	**68**	**94**	**1 496**

Ageing structure of prepayments and accruals:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Long-term	-	-	-
Short-term	68	94	1496
Total	**68**	**94**	**1 496**

46. Advances received towards flats

Within this item the Group presented customers' advance payments towards the purchase of flats. The value of this item has increased significantly compared to the comparable period due to the developer's completion of the construction and commissioning of premises for use.

47. Information about the financial instruments

Within the period covered by the annual consolidated financial statement, the Group possesses the following financial instruments:

- financial assets and liabilities assessed at fair value by the financial result - forward currency contracts, participating units in the investment fund;
- financial assets kept until maturity - bank guarantees representing security of a guarantee granted to the Group by banks;
- granted loans and own receivables – short term loans granted to entities from outside the Capital Group;
- financial liabilities assessed according to the amortized cost – loan from the related company, bank credit and liabilities by virtue of lease.

Except that, the Group possesses cash and short term investments. The Group possesses also other financial instruments, such as receivables and liabilities by virtue of supplies and services, which are created directly within the course of the run business.

(amounts in thousand PLN, unless stipulated otherwise)

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Loans and receivables	Assets available for sale	Financial assets held to maturity	Financial liabilities measured at amortised cost
As at 1.01.2013 Modified	**29**	**59**	**370 508**	**-**	**49 086**	**610 694**
Increases	**-**	**794**	**391 077**	**704**	**47 955**	**605 957**
Acquisition, establishment	-	363	391 077	704	46 805	605 916
Valuation	-	431	-	-	-	41
Re-classification	-	-	-	-	1 150	-
Decreases	**(29)**	**(279)**	**(39 278)**	**-**	**(39 740)**	**(505 382)**
Sale, dissolution, repayment	(29)	(279)	(39 278)	-	(39 740)	(505 355)
Valuation	-	-	-	-	-	(26)
Variances due to currency translation	-	(4)	-	(9)	639	1 705
As at 31.12.2013	**-**	**570**	**722 307**	**695**	**57 940**	**712 974**
including:						
Disclosed in balance sheet, indicating balance sheet item						
recognised as non-current assets						
Other financial assets	-	-	-	695	24 970	-
Total	**-**	**-**	**-**	**695**	**24 970**	**-**
recognised as current assets						
Trade and other receivables	-	-	636 166	-	-	-
Other financial assets	-	-	2 125	-	32 970	-
Cash and cash equivalents	-	-	84 016	-	-	-
Total	**-**	**-**	**722 307**	**-**	**32 970**	**-**
recognised as long-term liabilities						
Interest-bearing bank loans and borrowings	-	-	-	-	-	19 523
Derivatives	-	570	-	-	-	-
Bonds	-	-	-	-	-	49 926
Total	**-**	**570**	**-**	**-**	**-**	**69 449**
recognised as short-term liabilities						
Interest-bearing bank loans and borrowings	-	-	-	-	-	156 290
Trade and other liabilities	-	-	-	-	-	452 516
Other financial liabilities	-	-	-	-	-	34 718
Total	**-**	**-**	**-**	**-**	**-**	**643 525**
Total	**-**	**570**	**722 307**	**695**	**57 940**	**712 974**

(amounts in thousand PLN, unless stipulated otherwise)

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Loans and receivables	Assets available for sale	Financial assets held to maturity	Financial liabilities measured at amortised cost
As at 1.01.2012 Modified	**47**	**153**	**771 202**	**-**	**53 178**	**1 061 528**
Increases	**464**	**144**	**266**	**-**	**10 670**	**138 368**
Acquisition, establishment	-	144	-	-	10 622	127 580
Valuation	464	-	213	-	-	10 788
Re-classification	-	-	53	-	48	-
Decreases	**(482)**	**(228)**	**(400 960)**	**-**	**(11 019)**	**(581 208)**
Sale, dissolution, repayment	-	(155)	(398 139)	-	(10 944)	(431 865)
Valuation	(465)	(73)	-	-	-	-
Re-classification	-	-	(5)	-	(75)	-
Loss of control over the subsidiary	(17)	-	(2 816)	-	-	(149 343)
Variances due to currency translation	-	(10)	-	-	(3 743)	(7 994)
As at 31.12.2012 Modified	**29**	**59**	**370 508**	**-**	**49 086**	**610 694**
including:						
Disclosed in balance sheet, indicating balance sheet item						
recognised as non-current assets						
Other financial assets	-	-	4 049	-	22 693	-
Total	**-**	**-**	**4 049**	**-**	**22 693**	**-**
recognised as current assets						
Trade and other receivables	-	-	245 266	-	-	-
Other financial assets	29	-	-	-	26 393	-
Cash and cash equivalents	-	-	121 193	-	-	-
Total	**29**	**-**	**366 459**	**-**	**26 393**	**-**
recognised as long-term liabilities						
Interest-bearing bank loans and borrowings	-	-	-	-	-	97 911
Derivatives	-	570	-	-	-	-
Bonds	-	-	-	-	-	12 913
Total	**-**	**570**	**-**	**-**	**-**	**110 824**
recognised as short-term liabilities						
Interest-bearing bank loans and borrowings	-	-	-	-	-	38 373
Trade and other liabilities	-	-	-	-	-	313 736
Derivatives	-	59	-	-	-	-
Bonds	-	-	-	-	-	147 761
Total	**-**	**59**	**-**	**-**	**-**	**499 870**
Total	**29**	**629**	**370 508**	**-**	**49 086**	**610 694**

(amounts in thousand PLN, unless stipulated otherwise)

48. Fair value of financial instruments

Comparison of the fair value and book value of financial instruments:

	As at 31.12.2013		As at 31.12.2012	
Classes of financial instruments	**Book value**	**Fair value**	**Book value**	**Fair value**
Participation units in investment fund	-	-	29	29
Loans granted	2 125	2 125	4 049	4 049
Bank guarantee deposits	57 837	57 837	49 080	49 080
Advances for purchase of shares	103	103	-	-
Financial assets related to the concession agreement	695	695	-	-
Trade and other receivables	636 166	636 166	245 266	245 266
Cash and cash equivalents	84 016	84 016	121 193	121 193
Derivatives (liability)	570	570	59	59
Loand and credits	175 809	175 809	136 284	136 284
Bonds	49 926	50 450	160 674	161 365
Factoring liability	34 718	34 718	-	-
Trade and other liabilities	452 516	452 516	313 736	313 736

Methods for the use of valuation techniques - assumptions applied in determining fair values of each class of financial instruments .

Due to the short term nature of trade receivables and other receivables, trade payables and other liabilities and cash and cash equivalents, the carrying value of these financial instruments approximates their fair value.

Granted loans and borrowings are based on variable market rates based on WIBOR, hence their fair value approximates carrying value.

The fair value of the bonds was determined based on the price quoted on the Catalyst bond market at the balance sheet date (or close date).

The fair value of IRS (presented in the category of derivative financial instruments) is calculated as the present value of estimated future cash flows based on the observation of yield curves.

The fair value of investment fund units was determined based on the valuation made by those funds.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments measured at fair value, depending on the chosen method of valuation:

Level 1 – prices of market quotations from active markets for identical assets and liabilities;
Level 2 – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (using techniques based on actual transactions);
Level 3 – prices not from active markets.

Financial instrument measured in fair value	**Level 1**		**Level 2**		**Level 3**	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Participation units in investment fund	-	29	-	-	-	-
Derivatives (liability)	-	-	570	59	-	-
Financial assets related to the concession agreement	-	-	695	-	-	-

Within the year that ended on 31 December 2013 and 31 December 2012, no shifts between level 1 and 2 of the hierarchy of fair value took place nor any of the instruments was shifted from the level 2 to 3 of the fair value hierarchy.

(amounts in thousand PLN, unless stipulated otherwise)

49. Goals and principles of managing the financial risk:

Currency risk

Due to the conversion of individual items in profit and loss account of the Lithuanian companies with the average rate for the period of consolidation, the consolidated financial results are subject to exchange rate fluctuations against LTL. Furthermore, there is currency risk arising from purchasing transactions made in EUR related to the implementation of contracts. In the past the Group's activities are exposed to the fluctuations of foreign currency exchange rates, in particular, to the fluctuations of Polish zloty against Euro.

Interest rate risk- susceptibility to changes

The analysis of the impact of Polish Zloty / Lithuanian Lita exchange rate variability on the Group's financial result is presented below as on 31 December 2013 and 31 December 2012 by means of margin changes onto contracts denominated in LTL assuming the other items remain unchanged.

Change of PLN/LTL exchange rate in reference to 31 December 2013		**PLN / LTL exchange rate**	**Gross impact on the period result**	**Deferred tax**	**Total**
+	0,20 PLN/LTL	1,4156	3 819	726	3 093
+	0,10 PLN/LTL	1,3156	1 909	363	1 547
-	0,10 PLN/LTL	1,1156	(1 909)	(363)	(1 547)
-	0,20 PLN/LTL	1,0156	(3 819)	(726)	(3 093)

Change of PLN/LTL exchange rate in reference to 31 December 2012		**PLN / LTL exchange rate**	**Gross impact on the period result**	**Deferred tax**	**Total**
+	0,20 PLN/LTL	1,4123	3 625 129	688 774	2 936 355
+	0,10 PLN/LTL	1,3123	1 812 564	344 387	1 468 177
-	0,10 PLN/LTL	1,1123	(1 812 564)	(344 387)	(1 468 177)
-	0,20 PLN/LTL	1,0123	(3 625 129)	(688 774)	(2 936 355)

On 31 December 2013 the Trakcja PRKiI Group had financial assets at the amount of EUR 875k and LTL 35,498k. The analysis of the impact of PLN / EUR and PLN / LTL exchange rate variability onto financial asset is presented below as on 31 December 2013.

(amounts in thousand PLN, unless stipulated otherwise)

Change of PLN/EUR exchange rate in reference to 31 December 2013		PLN / EUR exchange rate	Impact on cash assets
+	0,20 PLN/EUR	4,3472	48
+	0,10 PLN/EUR	4,2472	24
-	0,10 PLN/EUR	4,0472	(24)
-	0,20 PLN/EUR	3,9472	(48)

Change of PLN/EUR exchange rate in reference to 31 December 2012		PLN / EUR exchange rate	Impact on cash assets
+	0,20 PLN/EUR	4,2882	20
+	0,10 PLN/EUR	4,1882	10
-	0,10 PLN/EUR	3,9882	(10)
-	0,20 PLN/EUR	3,8892	(20)

Change of PLN/LTL exchange rate in reference to 31 December 2013		PLN / LTL exchange rate	Impact on cash assets
+	0,20 PLN/LTL	1,4011	7 100
+	0,10 PLN/LTL	1,3011	3 550
-	0,10 PLN/LTL	1,1011	(3 550)
-	0,20 PLN/LTL	1,0011	(7 100)

Change of PLN/LTL exchange rate in reference to 31 December 2012		PLN / LTL exchange rate	Impact on cash assets
+	0,20 PLN/LTL	1,3840	9 573
+	0,10 PLN/LTL	1,2840	4 787
-	0,10 PLN/LTL	1,0840	(4 787)
-	0,20 PLN/LTL	0,9840	(9 573)

Dependency of the Group on the USD exchange rate variations is minor and applies mostly to copper products quoted at the international exchanges in USD.

Risk related to growth of the overdue receivables portfolio

At the day of preparing this consolidated annual financial statement, the Group controls the level of overdue receivables. It cannot be excluded that contracting parties in the future will not be able to cover on time their liabilities which can negatively influence the financial standing of the Capital Group.

Risk related to liquidity

Alike most of the companies operating in the construction industry, the Group shows seasonality of sale, that can be characterized by generating major part of incomes in the second half of the calendar year and significantly lower level of incomes within the first quarter, which fact influences the liquidity management and demand for working capital of the Group. The Group liquidity is also impacted by the fact that its major recipients obtain financial resources for purchase of services provided by the Group from the Government of Poland and European Union donations. Legal regulations representing the grounds for such donations do not allow their transfer to financing VAT tax. It cannot be excluded, that receivables by virtue of due VAT can be regulated by the receivers in aid of the Group with delay, which fact shall not release the Group from the obligation to pay the tax within timeframe stipulated in the Law.

Irregularity of payments and delay in receiving VAT tax amounts from receivers, may negatively influence the company liquidity of the Parent Company and the Capital Group. On the other hand, the Trakcja Group, while executing construction contracts, obtains advance money for performing the works in amounts from 10% to 20%, which improves the financial liquidity and enables financing the initial costs of constructions regardless of the invoicing for the performed services. Unexpected variations within the scope of liquidity and unexpected growth of demand for working capital may significantly and negatively influence the financial standing of the Capital Group.

In order to minimize the risk of loss of liquidity, the Group uses external sources of financing in the form of loans (working capital and investment loans), bonds, and factoring financing. Liabilities in respect of loans and advances as at 31 December 2013, together with their maturity are presented in note 38. The maturity of the bonds of series C and E issued by the Parent Company is 31 December 2015. Interest on the bonds are payable on the dates of 30 June and 31 December each year from the issue date to the maturity date of bonds series C and E and in the maturity date of the bonds series C and E.

(amounts in thousand PLN, unless stipulated otherwise)

Risk of interest rate

On 31 December 2013, there is a risk related to interest rates changes in relation to interest of credits and loans incurred by the Trakcja PRKiI Group. Detailed information about the credits and loans incurred by the Group is included in Note No. 38.

The analysis of the impact of the interest rate variability onto the financial result of the Group as on 31 December 2013 and 31 December 2012 was presented below. In order to perform the sensitivity analysis to the interest rate changes, the interest rate changes were assessed as on 31 December 2013 and 31 December 2012 at the level ±1 percentage point.

	Value at the balance-sheet date	**Sensitivity to changes as at 31.12.2013**	
		+100 pb (PLN, EUR)	**-100 pb (PLN, EUR)**
Trade receivables (present value)	654 519		
Trade payables (present value)	447 332		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	141 854	1 254	-1 254
Loans and credits, factoring liability, bonds (nominal value/interest)	271 634	(3 091)	3 091
Gross impact on period result and net assets		**(1 837)**	**1 837**
Deferred tax		(349)	349
Total		**(1 488)**	**1 488**

	Value at the balance-sheet date	**Sensitivity to changes as at 31.12.2012**	
		+100 pb (PLN, EUR)	**-100 pb (PLN, EUR)**
Trade receivables (present value)	250 148		
Trade payables (present value)	307 803		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	170 273	1 483	-1 483
Loans and credits, factoring liability, bonds (nominal value/interest)	385 735	(3 982)	3 982
Gross impact on period result and net assets		**(2 499)**	**2 499**
Deferred tax		(475)	475
Total		**(2 024)**	**2 024**

Risk of raw materials prices changes

Because the Group uses during the course of its business a series of raw materials, such as steel, copper, aggregates and concrete prefabricates, it is directly endangered to changes of their prices. The policy of limiting the risk of raw materials prices changes administered by the Group, does not allow its complete elimination. That is why, major variations of materials prices may negatively influence the financial standing of the Capital Group.

Credit risk

The Group applies the policy of concluding contracts with contracting parties of high credibility and verified credit capacity. The evaluation of the credit capacity is performed on regular basis. In case of negative evaluation of the future credit capacity of the contracting party, the Group's Companies apply adequate financial or property securities in order to minimize the credit risk. Financial services monitor on current basis the receivables status limiting the bad debt risk. The balance sheet value of financial assets posted in the consolidated financial statement corresponds to the maximum exposure of the Trakcja PRKiI Group to credit risk (without consideration of collaterals). As at the balance sheet date 65% of the total receivables of the Group are made by receivables from PKP PLK S.A. (31.12.12: 45%) there is a significant concentration of credit risk.

(amounts in thousand PLN, unless stipulated otherwise)

Disclosures relating to trade receivables overdue and trade receivables write-offs are presented in Note 30

Group works with financial institutions with high credit ratings. Free cash are invested in several banks in order to avoid concentration of risk on liquid funds.

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

The maximum exposure to credit risk	**Book value**		
	31.12.2013	**31.12.2012**	**1.01.2012**
Loans granted	2 125	4 049	6 769
Trade and other receivables	637 108	245 759	542 569
Cash and cash equivalents	84 016	121 193	222 562
Total	**723 249**	**371 001**	**771 900**

50. Balance sheet elements measured in fair value

The following table shows all the items of the balance sheet measured at fair value with the indication of the level of the fair value hierarchy.

Items recognized in fair value	**Level 1**		**Level 2**		**Level 3**	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Investment funds units	-	29	-	-	-	-
Derivatives (liability side)	-	-	570	59	-	-
Financial assets related to the concession agreement	-	-	695	-	-	-
Investment property	-	-	-	-	30 324	17 800

The assumptions used in determining fair values:

- The different categories of financial instruments are described in Note 44.
- Investment properties are described in Note 23.

51. Additional information to the cash flow statement

Balance of cash and equivalent shown in the consolidated cash flow statement consisted of the following items as per:

	31.12.2013	**31.12.2012 Modified**	**1.01.2012 Modified**
Cash in hand	139	295	311
Cash at bank	46 807	82 254	144 276
Other cash - deposits up to 3 months	37 070	38 644	77 975
Total cash and cash equivalents	**84 016**	**121 193**	**222 562**
Cash and cash equivalents excluded from cash flow statement	(2 191)	-	-
Cash and cash equivalents presented in cash flow statement	**81 825**	**121 193**	**222 562**
- including restricted cash	912	-	14 453

Cash and cash equivalents excluded from the cash flow statement as at 31 December 2013 relate to blocked funds in accounts of development projects in the amount of PLN 2,191k, and restricted cash in the amount of PLN 912k stands for cash used to pay off the interest on the bonds.

(amounts in thousand PLN, unless stipulated otherwise)

52. Conditional receivables and liabilities

Contingent receivables and liabilities are presented in the below table:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Contingent receivables			
From related entities due to:	**716**	**2 385**	**121 488**
Received guarantees and sureties	716	2 385	121 488
From related entities due to:	**182 355**	**125 052**	**248 550**
Received guarantees and sureties	167 837	111 804	232 456
Bills of exchange received as collateral	14 518	13 248	16 094
Total contingent receivables	**183 071**	**127 437**	**370 038**
From related entities due to:			
From related entities due to:	**716**	**2 385**	**121 488**
Provided guarantees and sureties	716	2 385	121 488
From other entities due to:	**3 079 960**	**3 445 789**	**1 529 795**
Provided guarantees and sureties	598 324	542 542	778 088
Promissory notes	494 443	554 184	438 602
Mortgages	237 118	304 624	188 127
Assignment of receivables	1 575 012	1 810 490	239
Assignment of rights under insurance policy	72 694	74 643	68 233
Security deposits	58 336	49 132	3 769
Other liabilities	44 034	110 174	52 737
Total contingent liabilities	**3 080 676**	**3 448 174**	**1 651 283**

As a result of the concluded employment contracts with employees and the Management Board, the Group as per 31 December 2013 had contingent receivables amounting PLN 1,638k (31.12.2012: PLN 1,727k). 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. The contingent liabilities in this respect are in the amount of PLN 9,289k (31.12.2012: 9,504k).

Tax settlements and other fields of the business that are subject to regulations (e.g. customs and currencies), may the 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 obligatory regulations. 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 that this usually present in the countries of more developed tax system. The tax settlements may be the subject of control for the period of five years, starting at the end of year in which the tax was paid. As a result of the performed controls, current tax settlements of the Group may be increased by additional tax obligations. In the Group's opinion, at the end of 2012, proper reserves were prepared for recognized and measurable tax risk.

53. Liabilities by virtue of financial lease agreements and lease agreements with purchase option

The Group is party to lease agreements, in which it acts as the lessor. These agreements relate to the rental of premises within the Group's real estate and property lease deposits of natural aggregate.

The future aggregate minimum proceeds from operating leases as at 31 December 2013 and 31 December 2012 are as follows:

	31.12.2013	31.12.2012 Modified
Within 1 year	190	189
Within 1 to 5 years	760	756
Total	**950**	**945**

54. Concessionary agreements

Public and private partnership agreement

One of the subsidiaries i.e. Palangos aplinkkelis UAB (PAK) was established to perform the investment task, namely the construction of the road and its later maintenance within the scope of a public and private partnership agreement. The public and private partnership agreement was signed with the Lithuanian Road Administration. A 100% shareholder of PAK is Plentros inwesticijos UAB (member of the Trakcja PRKiI Group). Both companies were established in line with the requirements of the Lithuanian Road Administration and tender requirements. The general contractor of the road will be a joint venture comprising AB Kauno Tiltai (subsidiary in the Trakcja PRKiI Group) and Siauliu plentas (company outside the Group, which holds 25% of shares inn the capital of Plentros inwesticijos UAB). AB Kauno Tiltai, as the general contractor will incur the risk and liability performance of the task unless AB Kauno Tiltai orders above 10% of the value of works to external subcontractors against an earlier consent of the bank that partially finances this task. In case of low quality of the works of external subcontractors, if the state of the road worsens, then the risk and liability will be incurred by the Lithuanian Road Administration. Apart from the external source of financing of the task, PAK received a loan from AB Kauno Tiltai and Siauliu plentas.

Future road maintenance will be executed based on an agreement by AB Kauno Tiltai, whereas PAK will be liquidated after completion of the task.

During 2013 the following amounts were recognized due to performance of construction services within the concession agreement in exchange for a component of financial assets:

- revenues of PLN 695 thousand;
- profit of PLN 31 thousand.

55. Important court and disputable cases

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 % of the equity of Trakcja PRKiI S.A., except for the following proceedings:

Court cases

Case of shareholder against Trakcja PRKiI S.A.

After the balance sheet date, the Management Board of Trakcja PRKiI S.A., in the current report no. 6/2014 of 10 March 2014 informed, in reference to the current report no. 1/2013 of 3 January 2013, about having received a decision of the Regional Court in Warsaw about closing the proceedings (notified by the Company in the aforementioned report) brought by a Company shareholder – a private individual – against the Company concerning stating invalidity of resolutions undertaken on 12 December 2012 on the Extraordinary Shareholders Meeting i.e.: (i) resolution no. 4 on issue of bonds exchangeable to shares series H, and (ii) resolution no. 5 on conditional increase of share capital, cancellation of subscription rights of existing shareholders, and change of the Company's Articles of Association.

Disputes

Agreement between PNI and PRKiI

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

Pursuant to the aforementioned agreement, the parties represented and confirmed that they have no claims against each other due to contractual penalties and interest thereon, and if such claims arise up to the date of concluding the aforementioned agreement the parties waive the same, unless expressly provided otherwise in the agreement.

The Parties represented that existing mutually charged contractual penalties are deemed non-existent save for PRKiI receivables in the PNI bankruptcy proceedings defined in the notification; PNI questions the existence of these penalties. Waiver of claims, including contractual penalties, does not concern any claims of PRKiI which arose before the date of announcement of PNI's bankruptcy and by law covered by an arrangement, indicated in PRKiI claims notification.

Conclusion of an agreement between PNI and Trakcją

On 22 April 2013 an agreement was concluded between PNI Sp. z o.o. and Trakcja S.A. on cooperation during the Contract for the performance of construction works in modernization of the railway line no. at the section from km 236.920 to km 287.700 included in the zone of the Local Steering Centre based in Malbork within the scope of the Project POIiŚ 7.1 - 1.3 "Modernization of the Railway Line E65/C - E 65 at the section Warsaw - Gdynia area LCS Iława and LCS Malbork.".

Pursuant to the above agreement, the parties offset mutual claims, and as a result Trakcja S.A. undertook to pay to PNI Sp. z o.o. PLN 12 063 910.94 gross. The payment was made on time.

Pursuant to par. 1 item 2, payment by Trakcja S.A. of the aforementioned amount on time and execution of obligations defined in § 2 of this agreement (releasing PNI from penalties /damages arising due to non-performance/improper performance of the Contract up to PLN 1 million, overtaking rights under the quality warranty and good performance bond, releasing PNI from incurring costs during the expanded period of the Contract term) exhausts all PNI claims due to the execution of the Consortium Agreement and mutual execution of orders by the parties. In addition PNI waived any further claims towards Trakcja S.A. on the condition of payment of the aforementioned amount.

Conclusion of the agreement results in an expiry of existing and future liabilities between the parties, which arose or may arise in connection with the Executive Agreement or the Consortium Agreement, and joint execution of the order. The parties hereby waive all claims covered by the arrangement due based on, or in connection with, the conclusion, performance or termination of the Executive Agreement, Consortium Agreement and joint execution of the order, and claims which may arise in the future on this account.

In addition, PNI found the liability charged to Trakcja S.A. with the accounting note no. 0018/1C/670132/01/03/2013 of 29 March 2013 at PLN 60 million as non-existent.

After the conclusion of the aforementioned agreement, on 22 August 2013, PNI modified its claim by withdrawing a part of the suit i.e. limiting the amount to PLN 6 709 526.44. In the light of Trakcja PRKiI S.A. meeting its obligations under the agreement of 22 April 2013, all claims of PNI against the company, in the opinion of the Management Board of the Dominant entity, have expired since PNI effectively and irrevocably waived its claims.

Payment of contractual penalty to Trakcja PRKiI S.A. by PKP Polskie Linie Kolejowe S.A.

In connection with the execution by the Consortium, i.e. Trakcja S.A., Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., ZUE S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o., Zakład Robót Komunikacyjnych DOM in Poznan Sp. z o.o., for PKP Polskie Linie Kolejowe S.A. based in Warsaw (hereinafter "Contracting Authority") of the Agreement of 31 May 2010 for construction works in complex modernization of stations and routes in the area of LCS Działdowo within the scope of the project POIiŚ 7.1-41: "Modernization of the railway line E-65/C-E 65 at the section Warszawa - Gdynia – area LCS Działdowo" ("Agreement"), of which the Company notified in the current report no. 9/2010 of 31 May 2010, the Company on 21 June 2013, acting on behalf of the Consortium issued- pursuant to the Agreement, a debit note amounting to PLN 95 297 116.95 for imposition on the Contracting Authority of a contractual penalty due in connection with the Contracting Authority's failure to meet the contractual date for delivering the construction site, with the payment term of 14 days from receipt.

(amounts in thousand PLN, unless stipulated otherwise)

In the light of a lack of timely payment of the above contractual penalty, by the Contracting Authority, the Company, on behalf of the Consortium on 20 June 2013 filed, via Poczta Polska S.A., to the District Court for Warszawa Praga- Północ in Warsaw, VII Economic Division, a request for arrangement hearing addressed to PKP Polskie Linie Kolejowe S.A. based in Warsaw, as notified in the current report no. 61/2013 of 21 June 2013.

Up to the balance sheet date or thereafter the Contracting Authority did not make a payment to the Company nor has concluded an arrangement in this scope.

56. Dividends paid and declared

In 2013, no payment of dividend by Trakcja PRKiI S.A. took place. On June 12, 2013, Ordinary General Meeting of Shareholders of Trakcja PRKiI S.A. was held and a resolution was adopted to cover the loss for the year 2012 in the total profit that will be generated by the Company in future financial years.

57. Assets pledged as collateral

Assets pledged as collateral:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Tangible non-current assets	109 122	119 921	253 697
Investment property	29 145	17 801	9 218
Inventory	33 874	21 314	50 227
Deposits	58 348	49 856	28 490
Receivables	147 372	81 256	61 844
Assignment of receivables	94 357	10 717	279 548
Cash	32 978	57 985	46 337
Total	**505 196**	**358 850**	**729 361**

In order to secure the obligations of the Issuer with respect to the bond-holders of Series C Bonds, on January 23, 2013, the Company entered into a pledge agreement, as a result of which Lithuanian Register of Mortgage registered a pledge on all of the Company's shares of AB Kauno Tiltai. The maximum value of the pledge was set at PLN 44 294 thousand.

There is also a pledge established on the shares of UAB Kelda (the company in AB Kauno Tiltai group). The value of the collateral is LTL 1 300 thousand.

58. Information on incomes, costs and results of discontinued activity

On 31 December 2012 and 31 December 2013 discontinued activity did not occur in the Group.

59. Information on related companies

Trakcja PRKiI S.A. is the Parent Company of the Group. Total amounts of transactions concluded with related entities in the given fiscal year are presented below.

(amounts in thousand PLN, unless stipulated otherwise)

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
Shareholders of parent company:							
COMSA S.A.	1.01.13-31.12.13	-	980	9	-	-	-
	1.01.12-31.12.12	-	1 004	-	-	-	-
Total	**1.01.13-31.12.13**	**-**	**980**	**9**	**-**	**-**	**-**
	1.01.12-31.12.12	**-**	**1 004**	**-**	**-**	**-**	**-**

Transactions with the related entities were concluded based on the market conditions and concerned purchase and sale of construction and installation services and rent of equipment.

Information concerning receivables and liabilities from / to related companies at the end of the fiscal year is presented below.

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders of parent company:					
COMSA S.A.	31.12.2013	-	1 084	-	-
	31.12.2012	-	1 262	-	-
	1.01.2012	-	42	-	-
Total	**31.12.2013**	**-**	**1 084**	**-**	**-**
	31.12.2012	**-**	**1 262**	**-**	**-**
	1.01.2012	**-**	**42**	**-**	**-**

In 2013 and 2012, no significant transactions with management board of the Group were concluded.

60. Information on the benefits for key personnel

The Parent Company and subsidiaries are entities of not complicated organizational structure. In this relation, remuneration of managers of higher level means remuneration of the Management Board of the Parent Company and subsidiaries.

	31.12.2013	31.12.2012
Management Board of Parent entity	6 325	6 268
Supervisory Board	307	159
Management Board - subsidiaries or affiliates	2 946	1 702
Supervisory Board - subsidiaries or affiliates	420	1 130
Total	**9 998**	**9 259**

(amounts in thousand PLN, unless stipulated otherwise)

The remuneration of the Management Board of the Parent Company was presented in the following table.

		31.12.2013	31.12.2012
Roman Przybył	President of the Board	987	820
Marita Szustak	Vice-president of the Board	758	44
Nerijus Eidukevičius	Vice-president of the Board	60	11
Tadeusz Kałdonek	Vice-president of the Board	508	463
Stefan Dziedziul	Vice-president of the Board since 28.11.2013	550	-
Jarosław Tomaszewski	Vice-president of the Board since 28.11.2013	125	-
Rodrigo Pomar López	Vice-president of the Board till 12.06.2013*	1 490	211
Maciej Radziwiłł	President of the Board till 21.06.2012*	-	2 343
Tadeusz Bogdan	Vice-president of the Board till 19.09.2012*	525	381
Tadeusz Kozaczyński	Vice-president of the Board till 31.08.2012*	671	770
Dariusz Mańkowski	Vice-president of the Board till 19.09.2012*	651	493
Total		**6 325**	**5 536**

**) The amount of remuneration with regard to compensation in case of resignation or dismissal from the post.*

Remunaration data for the year 2012 are based on historical data Trakcja SA, excluding the impact of the merger with PRKiI S.A.

Remuneration of the Supervisory Board of the Parent Company:

		31.12.2013	31.12.2012
Maciej Radziwiłł		120	-
Tomasz Szyszko	(till 29.06.2012)	-	30
Paweł Ziółek	(till 29.06.2012)	-	30
Andrzej Bartos	(since 12.06.2013)	33	-
Wojciech Napiórkowski		66	33
Alvydas Banys	(till 12.06.2013)	22	33
Julius Stalmokas		66	33
Miquel Llevat Vallespinosa		-	-
Jorge Miarnau Monserrat		-	-
Fernando Perea Samarra	(since 12.06.2013)	-	-
Total		**307**	**159**

61. Important events during the fiscal year and falling after the balance sheet date

Upon the balance sheet date until the day of preparing this annual consolidated financial statement, i.e. March 21, 2013, no events occurred which were not and should be included in the accountancy books of the fiscal year.

Important events in 2013:

Construction works contracts:

- On 22 January 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, LTL/PLN rate, 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 6 February 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 25 March 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.

- The Management Board of Trakcja S.A. informed on April 3, 2013 that within the last 12 months the Company and its subsidiaries executed contracts with PKP Polskie Linie Kolejowe S.A. of total value around PLN 61,861,392.29 net. The final total value of contracts concluded by the Company and its subsidiaries with PKP Polskie Linie Kolejowe S.A. within the last 12 months shall be established after the executory agreement is signed, which shall define the final value of the order made between Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. – the Company's subsidiary and Przedsiębiorstwo Budownictwa Kolejowego i Inżynieryjnego "INFRAKOL" s.c. Jan Paruch, Zenon Buca, Sławomir Paruch with its registered office in Jawor, regarding the Contract below. The total net value of the Contract: PLN 88,858,500.00 Part of the net value of the Contract, which falls on PRKiI: 62.29%. 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.
- The Management Board of Trakcja S.A. informed that on 10 April 2013, the Company's subsidiaries, i.e. UAB "Palangos aplinkkelis", code of the legal entity: 303036257, with its registered office at ul. Lvovo 25, Vilnius, the Republic of Lithuania, and UAB "Plėtros investicijos", code of the legal entity: 302630602, with its registered office at ul. Lvovo 25, Vilnius, the Republic of Lithuania (together hereinafter referred to as the: "Private Entity" entered into material contract for public and legal partnership (hereinafter referred to as with the Lithuanian Roads Authority by the Ministry of Communication, code of the legal entity: 188710638, with its registered office at ul. J. Basanavièiaus 36-2, Vilnius, Lithuania. The total net value of the contract converted to PLN was: 121,532,320.00. 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. All services and maintenance works necessary for proper and safe exploitation of the facility.
- The Management Board of a company Trakcja S.A. informed that the subject dependent on the Company: Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wrocław (“PRKiI”), on 22 April 2013 concluded with Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. in arrangement bankruptcy with its registered office in Warsaw (hereinafter: “PNI”) significant contracts of a total value of PLN 173.486,847.05 net (one hundred seventy three million four hundred eighty six thousand eight hundred forty seven and 5 groszy) and a contract of a highest value is: the Executory Agreement (“the Agreement”) concluded on 22.04.2013 between PRKiI (“the Leader”) and PNI (“the Partner”) with regard to the conclusion by a consortium comprising of: PNI, PKP Energetyka Spółka Akcyjna with its registered office in Warsaw, PRKiI, Dolnośląskie Przedsiębiorstwo Napraw Infrastruktury Komunikacyjnej Spółka z o. o. with its registered office in Wrocław and PKP Polskie Linie Kolejowe S. A. with its registered office in Warsaw, at ul. Targowa 74 (“the Contracting Party”) a Contract No. 90/116/0006/11/Z/I (“the Main Contract”) for construction works regarding basic lines within the section Wrocław – Grabiszyn – Skokowa and Żmigród – a border of Lower Silesian Voivodeship, under the project POIiŚ 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”, conclusion of which the Company informed about in the current report no. 34/2011 of 25.05.2011 and an Annex no. 1 to the Main Contract concluded on 31.10.2012 pursuant to which PRKiI became a Leader of the aforementioned consortium. Contract’s net value: PLN 169,207,415.37.
- On 11 June 2013, the Company's subsidiary, AB Kauno Tiltai based in Kowno concluded material agreements with Akcine bendrove "Lietuvos geležinkeliai" based in Vilnus, with the total net value in 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 i Uždaroji akcine bendrove "Mitnija“ based in Kowno, Lithuania - consortium partner. On the basis of the Agreement, construction works on the reconstruction of the Marijampole-Šeštokai railway section (from 28+500km to the railway station in Šeštokai) (Lithuania) were commissioned. The total net value

of the agreement in PLN amounted to: PLN 268,458,971.59. The percentage of the value of the Agreement that falls on AB Kauno Tiltai is 60% of the value of the Agreement. The deadline for execution of works (including the period for removal of defects) – not later than by 31 December 2014 inclusive.

- 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.
- On September 2, 2013 the Management Board of Trakcja S.A. informed that within the last 12 months the Company concluded with PKP Energetyka S.A. contracts of a total value of PLN 50,700,420 net. The highest value contract is the contract concluded on March 19, 2013 between the Company and the PKP Enegretyka S.A. in relation to the framework agreement for supply of 3kV DC switchgears concluded on February 13, 2013 between these entities. The total net value of the contract is PLN 33,351,000.
- The Management Board of Trakcja S.A. informed on October 7, 2013 that the Company concluded:
    - Annex to the Agreement for construction works for the modernisation of line no. 9 in the section from 236,920 km to 287,700 km included in the Local Control Centre located in Malbork under the Project: No. POIiŚ 7.1-1.3 "Modernisation of railway line E 65/ C-E 65 on the Warsaw - Gdynia section, LCC Ilawa, LCC Malbork", about which the Company informed in current report no. 35/2011 dated May 27, 2011.;
    - Annex to agreement of July 4, 2011 concluded between the Company and Bombardier Transportation (ZWUS) Polska Sp. z o.o., about which the Company informed in the current report no. 52/2011 dated July 5, 2011.

  The subject of the above-mentioned annexes to the agreement shall be extension of deadline for the construction works as mentioned in the agreements by 9 months.
- On October 16, 2013 the Management Board of Trakcja S.A. informed that as of July 22, 2013, the Company and its subsidiaries have entered with PKP PLK S.A. into agreements of total value PLN 55,490,881.40 net. The agreement of the highest value is the agreement concluded on July 31, 2013 between PKP PLK S.A. and the Company's subsidiary, i.e. Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. (“PRKiI”). The total net value of the agreement is: PLN 24,220,000.00. On the basis of the agreement, PRKiI shall execute the works in compliance therewith, connected with revitalisation of railway line no. 144 on the section Fosowskie - Opole - re-electrification of line no. 144 on the section Fosowskie - Opole. The above-mentioned works constitute additional order.
- On 6 November 2013, the Company's subsidiary - Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. ("PRKiI") signed a Memorandum of Understanding (MoU) pursuant to which it overtook rights and obligations of Przedsiębiorstwo Napraw Infrastruktury spółka z o.o. in arrangement bankruptcy, resulting from the agreement no. PNI – T4 – 35/2011 – ENERGETYKA of 31 August 2011, to which PKP Energetyka S.A. was a second party. The agreement concerns basic line construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of Dolnośląskie Voivodeship, within the

project POLiŚ 7.1. – 4 "Modernization of the railway line E59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of Dolnośląskie Voivodeship". Initial total net value of the agreement was PLN 84 903 164.57. As at the date of signing the MoU, the total net value of the agreement is PLN 51 983 818.60.

- On 7 November 2013, Trakcja S.A. concluded with "Intercor" Sp. z o.o. Annex no. 3 dated 30 October 2013 to the Agreement no. P-4/2011 for "design and performance of construction works on the railway line Kraków – Medyka – state border at the section Podłęże – Bochnia at km 16,00 – 39,00" within the project "Modernization of the railway line E 30/C – E 30, section Kraków – Rzeszów, stage III" Tender 1.1. concluded on 9 September 2011. The subject of the aforementioned annex is a decrease of the total net value of remuneration from PLN 142 000 000.00 to PLN 136 115 927.00 i.e. by PLN 5 884 073.00.

Other important events:

- On 2 January 2013 the Management Board of Trakcja S.A. was informed that on 19 December 2012 a claim form was filed with the Regional Court in Warsaw by the Company's shareholder – a natural person – against the Company for a declaration of invalidity of resolutions passed on 12 December 2012 at an Extraordinary General Meeting of the Company, i.e.: (i) resolution no. 4 on issuing bonds convertible into series H shares and (ii) resolution no. 5 on a contingent increase of the share capital, depriving hitherto shareholders of a pre-emptive right and on amendments to the Company's Statute under art. 425 of the Polish Commercial Companies Code, or for annulling these resolutions pursuant to Art. 422 of the Polish Commercial Companies Code.
- On 15 January 2013 that the Management Board and Supervisory Board of the Company adopted resolutions on the issuance of series C, D and E shares and the purchase for redemption of series A and B bonds issued by the Company. Payment for the purchased series A and B bonds will take place through payment of cash and write-off of receivables to which some bonds holders are entitled from the Company and vice versa.
- On 23 January 2013 a pledge was registered with the Lithuanian Mortgage Registry on all the Company's shares in AB Kauno tiltai with its registered office in Ateities pl. 46, Kaunas, Lithuania, i.e. 148.981 shares of the nominal value of 130 Lithuanian litai each, constituting in total 96.837% of the share capital and of the total number of shares at a general meeting of AB Kauno tiltai. The shares constitute a long-term investment of the Company.
- On January 31,2013, Trakcja issued:
    - 29,529 secured bearer series C bonds of the total nominal value of PLN 29,529,000,
    - 197 convertible series D bonds of the total nominal value of PLN 98,500,000,
    - 20,921 unsecured bearer series E bonds of the total nominal value of PLN 20,921,000.
- On 31 January 2013, Trakcja purchased for redeeming:
    - 142,778 unsecured bearer series A bonds of the nominal value of PLN 1000 each and the total nominal value of PLN 142,778,000,
    - 13,000 unsecured bearer series B bonds of the nominal value of PLN 1.000 each and the total nominal value of PLN 13,000,000.00 issued by the Company on 19 April 2011.
- On 4 February 2013, Trakcja received from holders of series D bonds issued on 31 January 2013 convertible to series H shares in the Company a demand for exchanging the bonds in the total number of 131 for shares in the total number of 119,090,904. The exchange price (issuance price) was set, pursuant to resolution no. 4 of the general meeting of the Company of 12 December 2012 and the conditions of issuance of bonds, at the level indicated for the first exchange period, at an amount of PLN 0.55 per share.
- On 8 February 2013 the management board of Krajowy Depozyt Papierów Wartościowych S.A. had adopted a resolution relating to the redemption by the Company, pursuant to Art. 25 par. 1 of the Act of 29 June 1995 on bonds, of the following:

- 142,778 bearer series A bonds of the nominal value of PLN 1000 each and the total nominal value of PLN 142,778,000.00 dematerialised in KDPW;
- 13,000 bearer series B bonds of the nominal value of PLN 1000 each and the total nominal value of PLN 13,000,000.00 dematerialised in KDPW.

- On 19 February 2013, Trakcja received a demand for exchanging the remaining 2013 series D bonds (issued by the Company on 31 January 2013 – Bonds) for series H shares in the Company (Shares) in a total number of 60,000,000. The exchange price (issuance price) was set, pursuant to resolution no. 4 of the general meeting of the Company of 12 December 2012 and the conditions of issuance of bonds, at the level indicated for the first exchange period, at an amount of PLN 0.55 per share.
- On 26 February 2013 that pursuant to resolution no. 228/2013 of 26 February 2013 of the management board of Giełda Papierów Wartościowych w Warszawie S.A., 119,090,904 series H shares in the Company, being ordinary bearer shares of the nominal value of PLN 0.10 each, had been admitted to trading at the main market, the official stock exchange listing market, pursuant to Art. 16 par. 2 of the Act of 29 July 2005 on trading in financial instruments.
- Pursuant to resolution no. 126/13 of 18 February 2013 of Krajowy Depozyt Papierów Wartościowych S.A., 131 series D bonds issued on 31 January 2013 marked with code PLTRKPL00071, were exchanged for 119,090,904 series H shares in the Company, being ordinary bearer shares of the nominal value of PLN 0.10 each, marked with code PLTRKPL00014.
- On 1 March 2013 the Management Board of Trakcja S.A. informed that it had received from Invalda AB, a company under Lithuanian law with with its registered office in Vilnius ("Invalda"), a notification stating that as a result of transactions performed by Invalda at the Warsaw Stock Exchange in Warsaw and as a result of exchanging 131 series D bonds issued by the Company for 119,090,904 series H shares in the Company and increasing the share capital of the Company, of which the Company informed in current report no. 15/2013 of 28 February 2013, the number of shares held by Invalda in relation to the total number of shares at a general meeting of the Company fell below 5%.
- On 1 March 2013 the Management Board of Trakcja S.A. informed that it had received from Comsa S.A., a company under Spanish law with with its registered office in Barcelona ("Comsa"), a notification stating that as a result of the exchange performed on 28 February 2013 of 131 series D bonds issued by the Company (including 41 bonds held by Comsa) for 119,090,904 series H shares in the Company and increasing the share capital of the Company, of which the Company informed in current report no. 15/2013 of 28 February 2013, the number of shares held by Comsa and its capital group in relation to the total number of shares at a general meeting of the Company changed by more than 1%. Prior to the Conversion, Comsa and its subsidiary Comsa Emte Sp. z o.o. held 81,145,510 shares in the Company, constituting 34.96% of the share capital of the Company. These shares entitled to 81,145,510 votes at a General Meeting of the Company, which constituted 34.96 % of the total number of votes.
- On 1 March 2013, the Management Board of the Company informed that the Company had purchased for redemption 5346 unsecured bearer bonds of series A of the nominal value of PLN 1000 each and the total nominal value of PLN 5,346,000.00 marked with ISIN code: PLTRKPL00048 ("Series A Bonds"), issued by the Company on 19 April 2011. The bonds were acquired pursuant to: (i) Art. 25 of the Act on Bonds, (ii) the resolution of the Management Board of the Company of 12 January 2013, and (iii) the resolution of the Supervisory Board of the Company of 14 January 2013.
- On 5 March 2013, the Management Board of Trakcja S.A. informed that the Company received from UAB "NDX energija", a company under Lithuanian law with with its registered office in Vilnius ("NDX"), a notification stating that as a result of the exchange performed on 28 February 2013 of 131 series D bonds issued by the Company (including 22 bonds held by NDX) for 119,090,904 series H shares in the Company and increasing the share capital of the Company, of which the Company informed in current report no. 15/2013 of 28 February 2013 ("Conversion"), the number of shares held by NDX exceeded 5%. Prior to the Conversion, NDX held 10,409,825 shares in the Company, constituting 4.485% of the share capital of the Company (amounting in total to PLN 23,210,548.00). These shares entitled to

10,409,825 votes at a General Meeting of the Company, which constituted 4.485 % of the total number of votes.

- On 6 March 2013 the Management Board of Trakcja S.A. informed that the Company received from Pioneer Pekao Investment Management S.A. ("PPIM") a notification concerning an increase in its total participation to the level of 16.54% 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, as a result of: (i) exchanging 131 series D bonds issued by the Company for 119,090,904 series H shares in the Company (including 58,181,815 shares taken up by all the customers of PPIM with regard to the portfolios managed by PPIM) and increasing the share capital of the Company, of which the Company informed in current report no. 15/2013 of 28 February 2013, and (ii) selling 100,000 series H shares in the Company at the regulated market, both taking place on 28 February 2013.
- The Management Board of Trakcja S.A., in reference to current report no. 18/2013 of 18 March 2013, was informed that on 11 March 2013 the management board of Krajowy Depozyt Papierów Wartościowych S.A. ("KDPW") adopted a resolution in which it stated that in relation to the redemption, pursuant to Art. 25 par. 1 of the Act of 29 June 1995 on bonds, of 5346 series A bonds issued by the Company marked with code PLTRKPL00048 (of the nominal value of PLN 1.000 each and the total nominal value of PLN 5,346,000), these bonds had been withdrawn from the deposit kept by KDPW and as a result as of the day of the resolution there were 240 series A bonds marked with PLTRKPL00048.
- The Management Board of Trakcja S.A. informed that on 15 March 2013, pursuant to resolution no. 286/2013 of 15 March 2013 of the management board of Giełda Papierów Wartościowych w Warszawie S.A., 60,000,000 series H shares in the Company, being ordinary bearer shares of the nominal value of PLN 0.10, had been admitted to trading at the main market, the official stock exchange listing market, pursuant to Art. 16 par. 2 of the Act of 29 July 2005 on trading in financial instruments. The management board of GPW also decided to introduce the shares to trading at the main stock exchange market as of 19 March 2013, under the condition that the shares are on 19 March 2013 registered by Krajowy Depozyt Papierów Wartościowych S.A. and marked with code PLTRKPL00014.
- On 19 March 2013, pursuant to resolution no. 181/13 of 7 March 2013 of Krajowy Depozyt Papierów Wartościowych S.A., 66 series D bonds issued on 31 January 2013 pursuant to resolution no. 4 of the Extraordinary General Meeting of the Company of 12 December 2012 and resolution no. 2 of the Management Board of the Company of 12 January 2013, marked with code PLTRKPL00071, were exchanged for 60,000,000 series H shares in the Company, being ordinary bearer shares of the nominal value of PLN 0.10 each, issued as part of the contingent increase of the share capital pursuant to resolution no. 5 of the Extraordinary General Meeting of the Company of 12 December 2012, marked with code PLTRKPL00014. Due to the conversion of all the remaining bonds, KDPW decided to close 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.
- On 20 March 2013, the Management Board of Trakcja S.A. informed that the Company and a subsidiary of the Company: Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wroclaw on 19 March 2013 concluded with Alior Bank Spółka Akcyjna with its registered office in Warsaw material agreements for a total value of PLN 95,000,000.00 (ninety-five million zlotys), out of which the highest value agreement is:
- Annex to the agreement on revolving credit in credit account concluded between the Company and the Bank (the Company announced the conclusion of the Agreement in current report no. 18/2011 of 1 April 2011 in relation to current report no. 9/2012 of 23 March 2012) on 19 March 2013. Under the Annex the Bank extended the term of the loan up to PLN 60,000,000.00 (sixty million zlotys), until 31 March 2014.

- The Management Board of Trakcja S.A. informed that on 21 March 2013 the Company received from Comsa S.A., a company under Spanish law with with its registered office in Barcelona, a notification stating that as a result of exchanging 66 series D bonds issued by the Company for 60,00,000 series H shares in the Company and increasing the share capital of the Company taking place on 19 March 2013, the participation of Comsa and its capital group in the total number of votes decreased by 4.92%. Comsa and its subsidiary, Comsa Emte sp. z o.o. possess at present the 118,418,237 shares in the Company which constitutes 28.80%.
- The Management Board of Trakcja S.A. informed, that on March 22, 2013 about the fulfilment of the conditions under which Nordea Bank Finland Plc, operating within the territory of Lithuania through Nordea Bank Finland Plc Branch in Lithuania and AB DNB Bank agreed to set pledge on the shares owned by AB Kauno tiltai in order to secure the C series bonds C marked with code PLTRKPL00063 issued by the Company. With the above in mind, the Banks shall not be able on the basis thereof to request cancellation of Bond security.
- The Management Board of Trakcja S.A. informed that on March 22, 2013 the Company received a notice from Pioneer Pekao Investment Management S.A. regarding a decrease of the total exposure to 13.94% of the total number of votes at the General Meeting of the Company with respect to financial instruments being part of the portfolios managed by PPIM within its services related to the management of financial instrument portfolios due to the conversion of 66 D series bonds issued by the Company into 60,000,000 H series shares of the Company and increase of the Company's share capital on 19 March 2013, about which the Company informed in current report no. 23/2013 of 19 March 2013. Due to the above-mentioned conversion and increase of the share capital of the Company, 57,304,712 of the Company's shares being part of the portfolios managed by PPIM within its services related to the management of financial instrument portfolios currently constitute 13.94% of the share capital of the Company. These shares entitle to 57,304,712 votes at the General Meeting of the Company, which constitutes 13.94% of the total number of votes.
- The Management Board of Trakcja S.A. informed on 22 March 2013 the Company received a notice from ING Open Pension Fund that due to a conversion of 66 D series bonds held by ING into 60,000,000 H series shares and increase of the Company's share capital, which took place on 19 March 2013 and about which the Company informed in current report no. 23/2013 of 19 March 2013, ING shall increase the percentage of total voting rights in the Company over 15%. As a result of the Conversion, ING acquired 60,000,000 shares in the Company, thus, as on the day of notice, ING held 81,321,651 shares entitling to 81,321,651 votes at the General Meeting of the Company, which constituted 19.78 % of the Company's share capital and total number of votes.
- The Management Board of Trakcja S.A. informed that on 25 March 2013 the Company received from Mr Jonas Pilkauskas, citizen of Lithuania, a notification stating that as a result of exchanging 66 series D bonds issued by the Company for 60,00,000 series H shares in the Company and increasing the share capital of the Company taking place on 19 March 2013, of which the Company informed in current report no. 23/2013 of 19 March 2013, the participation of Mr Jonas Pilkauskas in agreement with Ms Irena Angelė Èernevièiūtė and Ms Vaida Balèiūnienė within the meaning of Art. 87 par. 1 point 5 of the Act on Public Offering in the total number of votes in the Company fell below 5%. In relation with the increase in the share capital of the Company as a result of the Exchange, the participation of the Investors in the share capital of the Company and in the total number of votes at a general meeting of the Company decreased accordingly, and at present the 20,045,377 shares in the Company held by the Investors constitute 4.875%.
- The Management Board of the company Trakcja S.A. informed on March 28, 2013 that with regard to the consortium contract concluded on 22.11.2010 between: an entity related to the Issuer, i.e. Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. (PRKiI), Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (currently, Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in arrangement bankruptcy) [“PNI”], PKP Energetyka S.A., Dolnośląskie Przedsiębiorstwo Napraw Infrastruktury Komunikacyjnej “DOLKOM” Sp. z o.o. (“Consortium Partners”, jointly “Consortium”), aimed at stipulating the terms and conditions of a cooperation between Consortium Partners with regard to the execution of the order titled “Basic line construction works within the section Wrocław- Grabiszyn-Skokowa and Żmigród- a border of Lower Silesian Voivodeship within the scope of a POIiŚ project 7.1.-

4 "Modernisation of a railway line E59 within the section Wrocław – Poznań, Phase II - section Wrocław- a border of Lower Silesian Voivodeship" commissioned by PKP Polskie Linie Kolejowe S.A., about which the Company informed in the current report no. 34/2011 on 25 May 2011 and considering the fact that PNI refused to conclude an executory agreement pursuant to the provisions of the Contract, on 27 March 2013, PRKiI acting on behalf of the Consortium issued, pursuant to the provisions of the Contract, a debit note as a contractual penalty imposed on PNI in the amount of PLN 40,425,951.34 with a note payment date on 28 March 2013.

- The Management Board of Trakcja S.A. informed that on 15 April 2013, it was informed that on 15 April 2013 Mr. Alvydas Banys filed his resignation from the position of member of the Supervisory Board of the Company effective as of 1 May 2013 on personal grounds. Mr. Alvydas Banys is Vice-Chairman of the Supervisory Board of the Company.
- The Management Board of Trakcja S.A. informs that on 23.04.2013 it received a decision of the District Court for the capital city of Warsaw, in Warsaw, XII Commercial Division of the National Court Register of 12.04.2013, regarding the registration of a change in the amount of the Issuer's share capital to the amount of PLN 35,119,638.40 and a decision of the Court of 15.04.2013, regarding the registration of a change in the amount of share capital to the amount of PLN 41,119,638.40. General number of votes at the Issuer's General Meeting resulting from all issued shares after Registration 1 amounted to: 351.196.384 votes. General number of votes at the Issuer's General Meeting resulting from all issued shares after Registration 2 amounts to: 411.196,384 votes.
- With reference to the report concerning contractual penalty imposition no. 34/2013 of 28.03.2013, the Management Board of the company Trakcja S.A. informed that the subject dependent on the Company: Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wrocław, on 22 April 2013 concluded with Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. in arrangement bankruptcy with its registered office in Warsaw (hereinafter: "PNI") an agreement pursuant to which the Parties terminated an executory agreement concluded between PRKiI (as the Partner) and PNI (as the Leader) of 25.10.2011, concluded with regard to the conclusion by a consortium comprising of: PNI, PKP Energetyka Spółka Akcyjna with its registered office in Warsaw, PRKiI, Dolnośląskie Przedsiębiorstwo Napraw Infrastruktury Komunikacyjnej Spółka z o. o. with its registered office in Wrocław and PKP Polskie Linie Kolejowe S. A. with its registered office in Warsaw, at ul. Targowa 74 ("the Contracting Party") a Contract No. 90/116/0006/11/Z/I for construction works regarding basic lines within the section Wrocław – Grabiszyn – Skokowa and Żmigród – a border of Lower Silesian Voivodeship, under the project POIiŚ 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", conclusion of which the Company informed about in the current report no. 34/2011 of 25.05.2011. Pursuant to the aforementioned agreement, the Parties declared and confirmed that they have no claims against each other due to contractual penalties and interests thereon and in case such claims arise before the aforementioned agreement is concluded, they waive them unless the content of the agreement stipulates otherwise. The Parties declared that they deem hitherto prevailing mutually charged contractual penalties as non-existent with an exception of the ones included in PRKiI's submission of claims in PNI's bankruptcy proceedings, with a proviso that PNI questions the existence of such contractual penalties. Waiver of claims, including contractual penalties, does not concern any PRKiI's claims that arose before the day of announcing PNI's bankruptcy and that pursuant to law are included in an arrangement and indicated in PRKiI's submission of claims.
- The Management Board of Trakcja S.A. hereby informed on May 10, 2013 that the Company and its subsidiary: Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wroclaw, within the last 12 months, concluded with BRE Bank Spółka Akcyjna with its registered office in Warsaw contracts of the total value of PLN 92,000,000.00 (ninety-two million zlotys). The contract of the greatest value is: recourse factoring agreement concluded on 10 May 2013 between BRE Faktoring Spółka Akcyjna with its registered office in Warsaw (hereinafter: "Factor") and the Company. On the basis of the Agreement, the Factor provides factoring services consisting in the Factor's purchasing accounts receivable with recourse against the Company, financing accounts receivable, keeping settlement accounts and sending reminders to entrepreneurs who are debtors of the Company on account of sale of goods, supply of goods or provision of services or are obliged to pay

the price on account of sale of goods, supply of goods or provision of services, who as a result of the Factor’s purchasing of accounts receivable become debtors of the Factor.

- The Management Board of Trakcja Spółka Akcyjna informed on May 13, 2013 that, in conjunction with the current report no 42/2013 of 13 of May 2013, announces the draft resolutions that will be discussed at the Annual General Meeting convened as at 12 June 2013.
- The Management Board of Trakcja S.A. informed on May 13, 2013 that, in connection with the report no. 43/2013 dated 13 May 2013 and proposed amendments to the Company’s Statute, hereby announces the current wording and proposed amendments to the Company’s Statute.
- In connection with the conclusion of an agreement on factoring with regress on 10 May 2013 between BRE Faktoring Spółka Akcyjna based in Warsaw and the Company, on 15 May 2013 the Company obtained from Alior Bank S.A. (the bank, with which the Company has a credit agreement signed) consent for the conclusion of the aforementioned agreement. In connection with the consent obtained from Alior Bank S.A., the condition suspending entry into force of the agreement was met.
- On 11 June 2013, Pioneer Pekao Investment Management S.A. acting on behalf of Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw - the management company representing Pioneer Fundusz Inwestycyjny Otwarty (Open-End Investment Fund) with its registered office in Warsaw, operating within the framework of the following sub-funds: 1) Pioneer Zrównoważony, 2) Pioneer Akcji Polskich, 3) Pioneer Stabilnego Wzrostu, 4) Pioneer Małych i Średnich Spółek Rynku Polskiego, 5) Pioneer Obligacji Plus, being the shareholders of the Company, appointed Andrzej Bartos and Wojciech Napiórkowski as candidate members of the Supervisory Board of the Company.
- On 11 June 2013, the Supervisory Board, pursuant to Article 16.2.7 of the Company's Articles of Association, decided to select BDO sp. z o.o. based in Warsaw at ul. Postępu 12, 02-676 Warsaw, as the entity authorized to audit financial statements for 1H 2013 and for 2013.
- On 12 June 2013, the Company's Supervisory Board recalled from the Management Board Mr Rodrigo Pomar López, Vice-President of the Management Board.
- On June 12, 2013, the Ordinary General Meeting of the Company took place. The contents of all of the resolutions adopted an annex to the current report No. 52/2013. The Annual General Meeting of Shareholders appointed to the Supervisory Board of the Company on a new joint three-year term:
    - Mr. Andrzej Bartos;
    - Mr. Wojciech Napiórkowski;
    - Mr. Julijus Stalmokas.

  COMSA SA based in Barcelona, which is a shareholder of the Company, appointed in accordance with art. 13 section 4 of the Articles of Association of the Company as a Member of the Supervisory Board:
    - Mr. Miquel Llevat Vallespinosa;
    - Mr. Jorge Miarnau Montserrat;
    - Mr. Maciej Radziwiłł;
    - Mr. Fernando Perea Samarra.
- On 17 June 2013, the Company provided, in the current report no. 60/2013, the list of shareholders holding at least 5% of the total number of votes at the Ordinary Meeting of Shareholders which took place on 12 June 2013.
- 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.
- On September 26, 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 4.97% of the total number of votes at a General Meeting of Shareholders of the Company with regard to financial instruments included in the financial instruments portfolios managed by PPIM as part of its services, as a result of the sale of shares which took place on September 18, 2013.
- On October 1, 2013 was held a meeting of holders of series A bonds issued by the Company. The meeting of series A Bond Holders adopted all the resolutions included in the agenda with content consistent with appendix no. 1 to current report no. 71/2013 of September 20, 2013.
- On October 9, 2013, the Company received a notice from UAB "NDX energija" informing that it does not hold any shares in Trakcja S.A. any longer, which entitled to exercise voting rights at the General Meeting of Shareholders of the Company. As a result of the transaction made on the regulated market on October 4, 2013, UAB "NDX energija" reduced its share in the Company to the level below 5% of the total votes at the General Meeting of Shareholders. After having completed the above-mentioned transaction - UAB "NDX energija" entered into another transaction, as a result of which it sold all the remaining shares and currently holds no shares in Trakcja S.A.
- On October 14, 2013 Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of PZU Open Pension Fund PZU "Złota Jesień" informed the Company that due to the purchase of shares in the Company on October 4, 2013 on the Warsaw Stock Exchange, the number of shares currently held by the fund allows to exceed 5% of votes at the General Meeting of Shareholders of the Company. Currently, the fund holds 34,797,195 shares corresponding to 34,797,195 votes, which constitute 8.46% of the capital share of the Company and entitle to 8.46% of votes at the General Meeting of Shareholders of the Company.
- On October 14, 2013, the Company received a notice from ING Powszechne Towarzystwo Emerytalne S.A. , acting on behalf of ING Open Pension Fund ("Fund") informing that due to the transactions on the Warsaw Stock Exchange recorded on October 8, 2013, the volume of shares held by the fund was reduced by at least 2% of votes at the General Meeting of Shareholders of the Company. As a result of the above-mentioned transaction, the Fund currently holds 69,353,438 shares in the Company, which constitutes 16.87 % of the share capital of the Company. The shares entitle to 69,353,438 votes at the

General Meeting of Shareholders of the Company, which constitutes 16.87 % of the total number of votes.

- As of October 17, 2013 Mr. Jarosław Tomaszewski took a post of the Financial Director of Trakcja S.A. On the upcoming meeting on November 28, 2013, the Supervisory Board of Trakcja S.A. shall adopt a resolution on the appointment of Mr. Jarosław Tomaszewski for the post of the Vice-President of the Management Board of Trakcja S.A. - Financial Director of the Company.
- On October 18, 2013 the Management Board of the Company adopted a resolution concerning the intention to merge the Company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., with its registered office in Wrocław. Further details concerning the merger are presented in note no. 18 of the condensed consolidated financial statements.
- On October 18, the Company's Management Board convened a Meeting of series E Bond Holders holding series A bonds issued by the Issuer, scheduled for October 29, 2013 at 10 a.m. in Warsaw, at the registered office of the Issuer – Trakcja S.A., ul. Złota 59, 18th floor. The object of the Meeting of series E Bond Holders shall be adopting resolution expressing consent for the merger of the Issuer with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wrocław.
- On October 18, the Company's Management Board convened a Meeting of series C Bond Holders holding series A bonds issued by the Issuer, scheduled for October 29, 2013 at 12 a.m. in Warsaw, at the registered office of the Issuer – Trakcja S.A., ul. Złota 59, 18th floor. The object of the Meeting of series C Bond Holders shall be adopting resolution expressing consent for the merger of the Issuer with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wrocław.
- On October 26, 2013 the merger plan was signed and published with respect to the merger of the Company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- On October 26, 2013 the Company published a first notice about the intention of a merger of the Company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- On October 29, 2013 was held a meeting of holders of series E bonds issued by the Company. The meeting adopted resolution expressing consent for the merger of the Issuer with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- On October 29, 2013 was held a meeting of holders of series C bonds issued by the Company. The meeting adopted resolution expressing consent for the merger of the Issuer with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- On 24 October 2013 the Company sent through the Polish Post Final Pre-trial request for payment to PKP Polish Railway Lines with its registered office in Warsaw at the amount of PLN 95 297 116,95 together with interest from the due date. The Default Notice was sent to PKP Polskie Linie Kolejowe S.A. with respect to default payment of the liquidated damages due to the Company, as the Contracting Party failed to make the construction site available on time pursuant to the agreement for construction works for comprehensive modernisation of train station and routes in the area of LCS Działdowo under POIiŚ 7.1-41 project, which was concluded on 31 May 2010; "Modernisation of railway line E-65/C-E 65 on the section Warsaw - Gdynia - LCS Działdowo" ("Agreement"). The Company informed about the conclusion of the above-mentioned Agreement in current report no. 9/2010 of 31 May 2010.
- On October 30, 2013 the Management Board of Trakcja S.A. announced a change of date on consolidated quarterly report for the period of 9 months ended on September 30, 2013. The statement shall be published on November 4, 2013. The original date of publication of the periodic report for the above period was scheduled for November 14, 2013, of which the Company informed in its current report No 6/2013 of January 25, 2013.
- On October 31, 2013 was held a meeting of holders of series A bonds issued by the Company. The meeting adopted resolution expressing consent for the merger of the Issuer with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.

- On 7 November 2013, a pledge agreement was entered in the Lithuanian Mortgage Register, establishing a pledge on claims of a company being an indirect subsidiary of the Issuer UAB "Palangos aplinkkelis", to the benefit of the pledgor AB SEB Bankas, resulting from the agreement on public and private partnership of 10 April 2013 concluded between UAB "Plétros investicijos" and UAB "Palangos aplinkkelis" on the one hand, and Lithuanian Roads Management at the Ministry of Communication on the other hand. The gross value of pledged assets is LTL 115 951 880.00.
- On 12 November 2013, the Management Board of Trakcja S.A. informed again about the intention to merge with the subsdiary PRKiI S.A.
- On 20 November 2013, the Management Board of Trakcja S.A. published a written statement of the Management Board concerning the planned merger of the company with PRKiI S.A.
- On 26 November 2013 the subsidiary PRKiI S.A. concluded annexes to agreements on revolving credit with Bank Zachodni WBK S.A. based in Warsaw. Pursuant to annexes, the parties extended the repayment date to 15 December 2013. To ensure financing of ongoing activity, PRKiI concluded on 27 November 2013, with BZ WBK Faktor Sp. z o.o. based in Warsaw, a factoring agreement without overtaking risk, with the total value of PLN 31 250 000.00.
- On 27 November 2013, an Extraordinary Shareholders Meeting took place, which undertook resolutions on the merger of Trakcja S.A. and PRKiI S.A.; changes of the company name to Trakcja PRKiI S.A., and change of the Company's Articles of Association.
- On 28 November 2013, the Supervisory Board of the Company adopted a resolution on appointing Mr. Jarosław Tomaszewski as Vice-President of the Management Board.
- On 28 November 2013, the Supervisory Board of the Company adopted a resolution on appointing Mr. Stefan Dziedziul as Vice-President of the Management Board.
- On 5 December 2013, the Company received a notification from Mr Nerijus Eidukevičius, Vice-President of the Company's Management Board on the sale of 381 584 shares as a result of a transaction at the Warsaw Stock Exchange on 3 December 2013.
- On 17 December 2013, the subsidiary AB Kauno Tiltai concluded an annex to the credit agreement executed with Nordea Bank Finland Plc Lithuanian branch, and AB DNB bankas. The subject of the annex is extension of the term of the credit line granted to AB Kauno Tiltai to 31 August 2015 (previous date was set at 31 January 2014). The credit line limit is EUR 18 000 000.
- On 19 December 2013, the District Court for the capital city of Warsaw, XII Economic Division of the National Court Register, as the competent court for the Overtaking Company, entered the merger of the Company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. based in Wrocław ("PRKiI" or "Acquired Company"). The merger of the Company with the Acquired Company took place by transferring the entire property of the Acquired Company to the Company, i.e. merger through acquisition within the meaning of Article 492 § 1 point 1 of the Code of Commercial Companies and Partnerships.
- On 19 December 2013, the Company received a court decision on registration by the District Court for the capital city of Warsaw, XII Economic Division KRS, of changes in the Company's Articles of Association made pursuant to resolution no. 4 of the Extraordinary Shareholders Meeting of 27 November 2013. The business name was changed as a result of the amendment of the Articles of Association, and from the registration onwards this business name is as follows: "Trakcja PRKiI Spółka Akcyjna".
- On 19 December 2013 the Extraordinary Shareholders Meeting of the Issuer's subsidiary i.e. PT Kruszywa Sp. z o.o. based in Białystok ("PT Kruszywa") undertook a resolution on termination of the company and opening liquidation. The Extraordinary Shareholders Meeting of PT Kruszywa appointed as the liquidator Mr Rolandas Rekašius and determined that the liquidator represents the company during the liquidation period. Application for opening the liquidation procedure was submitted by PT Kruszywa on 20 December 2013 at the District Court in Białystok, XII Economic Division of the National Court Register.

- On 19 December 2013 the Company received a notification from ING Powszechne Towarzystwo Emerytalne S.A., operating on behalf of ING Otwarty Fundusz Emerytalny, pursuant to which as a result of selling the Company's shares in transactions on the Warsaw Stock Exchange, settled on 13 December 2013, the status of the Company's shares held by the fund decreased below 15% of votes at the Shareholders Meeting.

Events after the balance sheet date

Construction works contracts:

- On 14 January 2014, Trakcja PRKiI S.A. concluded with FCC Construcción S.A. ("FCC") an annex to the Subcontracting Agreement no. U/07C/012/13 of 15 April 2013. Pursuant to the Annex, the scope of works was increased as well as the value of the object of the agreement by PLN 35 352 344.00 net up to approximately PLN 53 179 941.20 net. The works completion date was set at 21 September 2015.
- On 28 February 2014, the Management Board of Trakcja PRKiI S.A. informed that during the last 12 months the Company concluded with PKP Polskie Linie Kolejowe S.A. agreements with the total value of PLN 64 279 588.58 net. The agreement with the highest value is the contract concluded on 28 February 2014 between the Company and PKP PLK S.A. for the performance of a supplementary contract consisting in design and construction works at the Łódź Widzew railway station from km 4,100 to km 7,2000 of the railway line no. 17 within the project POIiŚ 7.1-24.2 entitled "Modernization of the railway line Warszawa – Łódź, stage II, Lot B – section Łódź Widzew-Łódź Fabryczna including Łódź Fabryczna station, and construction of the underground part of the Łódź Fabryczna railway station serving for train check-in and check-out and passenger handling." The net value of the Agreement is PLN 15 469 388.14. The object of the Agreement is the performance of design and construction works at the Łódź Widzew station from km 4,100 to km 7,2000 of the railway line no. 17. The deadline for completion of works was set as 30 September 2015.
- On 13 March 2014 the Company received an annex to the agreement no. 90/132/281/00/11000838/10/I/I of 2 November 2010 for Design and performance of construction works at the railway line Kraków – Medyka – state border at the section Podłęże – Bochnia at km 16,000 – 39,000 within the project "Modernization of the railway line E 30/C-E 30, section Kraków – Rzeszów, stage III"; the Company notified about the agreement in the current report no. 34/2010 of 3 November 2010. Pursuant to the annex, the parties changed the date of performance of the agreement to 11 February 2015. The initial performance date was 40 months from the date of commencement of works, no later however than 31 January 2014. On 14 March 2014, another annex to the aforementioned agreement was concluded, changing the total net value of the agreement to PLN 583 308 849.27.
- On 17 March 2014 Trakcja PRKiI concluded a subcontracting agreement with Pomorskie Przedsiębiorstwo Mechaniczno-Torowe Sp. z o.o. in Gdańsk for the performance of track and dewatering works within the scope of the agreement for design and modernization of the railway line Warszawa - Łódź, stage II, section Warszawa Zachodnia – Miedniewice (Skierniewice) within the project POIiŚ 7.1 – 24.1 "Modernization of the railway line Warszawa – Łódź, stage II, Lot A – section Warszawa Zachodnia - Skierniewice". The amount of remuneration was set at PLN 77 710 780.90 net. The deadline for completion of works was set at 31 December 2014.

Other important events:

- On 9 January 2014, a pledge on claims of the Issuer's subsidiary was entered in the Lithuanian Mortgage Register. - AB Kauno Tiltai to the benefit of the pledgor: Nordea Bank Finland Plc and AB DNB bankas. The total gross value of pledged claims is LTL 197 762 thousand.
- On 10 March 2013, the Company received a decision of the Regional Court in Warsaw on closure of proceedings brought by the Company's shareholder – a natural person – against the Company for declaration of invalidity of resolutions passed on 12 December 2012 at the Extraordinary Shareholders Meeting.

(amounts in thousand PLN, unless stipulated otherwise)

- On 17 March 2014, the Issuer received a decision of the District Court in Białystok about removal from the register of entrepreneurs - National Court Register - of the Issuer's subsidiary - Producent Kostki Brukowej i Galanterii Betonowej Brux Sp. z o.o. in liquidation.

62. Financial statement under conditions of high inflation

Cumulated, average annual rate of inflation for the last 3 years for each of the periods covered by this consolidated financial information did not exceed the value of 100%, that is why there was no need to convert the financial statements by the prices change index.

63. Employment

Average employment in the Capital Group was as follows:

	Financial year ended		
	31.12.2013	31.12.2012	1.01.2012
Average employement in the Capital Group during the period:			
Management Board of Parent entity	5	5	5
Management Boards of subsidiaries	17	17	62
Administration	236	227	360
Sales department	51	49	133
Production division	1 080	1 184	1 725
Other employees	764	806	1 953
Total	**2 153**	**2 288**	**4 238**

Employment in the Group as at December 31, 2013 was as follows:

	31.12.2013	31.12.2012	1.01.2012
Employement in the Capital Group as at 31.12.2013			
Management Board of Parent entity	6	5	6
Management Boards of subsidiaries	14	13	33
Administration	243	237	340
Sales department	50	53	122
Production division	1 017	1 134	1 542
Other employees	711	722	1 954
Total	**2 041**	**2 164**	**3 997**

64. Company Social Benefit Fund assets and liabilities

The Law of March 4, 1994 on the company social benefit fund as amended, states that the Company Social Benefit Fund is created by manufacturers that employ over 20 employees full time. The Group creates such fund and performs periodical write off in the amount of the basic write off. Goal of the Fund is subsidize social operations of the Group, loans granted to its employees and the remaining social costs. The Group has compensated assets of the Fund with own liabilities against the Fund, because the assets do not represent separate assets of the Group.
The below table presents an analysis of assets, liabilities, costs and balances net of the compensated assets and liabilities of the Fund:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Loans granted to employees	1 172	1 249	1 730
Cash	610	970	1 194
Prepayments	(4)	-	216
Liabilities attributable to the Fund	(1 461)	(1 681)	(1 735)
Balance after compensation	**318**	**538**	**1 405**
Contributions to the fund during the financial period	**1 352**	**1 488**	**2 389**

(amounts in thousand PLN, unless stipulated otherwise)

65. Information on the entity providing a function of expert auditor

The entity authorized to examine the statement of the Group and Parent Company is BDO Sp. z o.o. with the seat in Warsaw ul. Postępu 12.

On August 22, 2013 , the Parent Company concluded a contract with BDO Sp. z o.o. to:
- Review the semi-annual unitary and consolidated financial statement made as per June 30, 2013 according to the International Accountancy Standards
- Examine the annual unitary and consolidated financial statement made as per December 31, 2013 according to the International Accountancy Standards

The amount of remuneration for the examination and review of the statements and other, is presented in the blow table.

	Financial year ended	
	31.12.2013	**31.12.2012**
On account of agreement for financial statement audit	110	207
On account of agreement for financial statement review	55	121
On account of tax advisory	9	-
On account of other agreements	10	38
Total	**184**	**366**

Warsaw, 21 March 2014

Roman Przybył
President of the Board

Marita Szustak
Vice-president of the Board

Stefan Dziedziul
Vice-president of the Board

Nerijus Eidukevičius
Vice-president of the Board

Tadeusz Kałdonek
Vice-president of the Board

Jarosław Tomaszewski
Vice-president of the Board

Statement prepared by:

Sławomir Krysiński
Head of Financial Reporting Trakcja PRKiI Group

THE TRAKCJA PRKiI GROUP

where the holding company is
Trakcja PRKiI S.A.
ul. Złota 59, 8th floor
00-120 Warszawa

Audit Opinion and Report on the consolidated financial statements for the period from 1 January to 31 December 2013

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

AUDIT OPINION
for the Shareholders and Supervisory Board of
Trakcja PRKiI S.A.

We have audited the accompanying consolidated financial statements of the Group, where the holding company is Trakcja PRKiI S.A. ("the Holding Company") with its registered office in Warsaw at ul. Złota 59, 8th floor, consisting of:

- the consolidated profit and loss account for the period from 1 January to 31 December 2013, showing a net profit of **37 916** thousand zł;
- the consolidated statement of comprehensive income for the period from 1 January to 31 December 2013, showing a comprehensive income of **45 013** thousand zł;
- the consolidated balance sheet prepared as at 31 December 2013, showing total assets and liabilities of **1 643 138** thousand zł;
- the consolidated cash flow statement for the period from 1 January to 31 December 2013, showing a net cash decrease of **39 368** thousand zł;
- the statement of changes in consolidated shareholders' equity for the period from 1 January to 31 December 2013, showing an increase in consolidated shareholders' equity of **141 186** thousand zł;
- notes to the financial statements.

The Holding Company's Management Board is responsible for the preparation in accordance with binding regulations of the consolidated financial statements and the Directors' Report on the Group's activities.

The Holding Company's Management Board and members of its Supervisory Board are responsible for ensuring that the consolidated financial statements and the Directors' Report meet the requirements of the Accounting Act of 29 September 1994 (2013 Journal of Laws, item 330 with subsequent amendments), hereinafter referred to as "the Accounting Act".

Our responsibility was to audit the consolidated financial statements and to express an opinion on the consistency of these consolidated financial statements with the applicable accounting policies, and on whether the consolidated financial statements give a true and fair view, in all material respects, of the Group's financial result and financial position.

We performed the audit of the consolidated financial statements in accordance with:

- Chapter 7 of the Accounting Act,
- the auditing standards issued by the National Council of Certified Auditors in Poland.

We planned and performed the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. In particular, our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also included assessing the accounting principles used and significant estimates made by the Holding Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the audited financial statements, in all material respects:

- give a true and fair view of the Group's financial position as at 31 December 2013, as well as of its financial result for the period from 1 January to 31 December 2013;
- have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations issued in the form of regulations by the European Commission, and in issues not regulated by these standards – in accordance with the requirements of the Accounting Act and the related implementing provisions;
- are consistent with the laws and regulations applicable to the Group.

The Directors Report on the Group's activities includes all information required by Article 55 of the Accounting Act and by the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2014 Journal of Laws, item 330), and the information contained therein is consistent with the information presented in the audited consolidated financial statements.

Warsaw, 21 March 2014

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Registration No. 3355

Authorized Audit Company No. 3355

Auditor in charge:

Krzysztof Maksymik
Certified Auditor No. 11380
(signed on the Polish original)

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

André Helin, PhD
Senior Partner & CEO
Certified Auditor No. 90004
(signed on the Polish original)

THE TRAKCJA PRKiI GROUP

where the holding company is
Trakcja PRKiI S.A.
ul. Złota 59, 8th floor
00-120 Warszawa

Audit Report
on the consolidated financial statements
for the period from 1 January to 31 December 2013

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

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for the period from 1 January to 31 December 2013 (in '000 zł)

I. GENERAL INFORMATION

1. Information about the Holding Company

1.1. Name and legal status

The Company does business as Trakcja PRKiI Spółka Akcyjna [joint-stock company]. The Company uses the abbreviated name of Trakcja PRKiI S.A.

In the reporting period the Company's name was changed from Trakcja Spółka Akcyjna based on Resolution No. 4 passed by the Extraordinary General Shareholders Meeting of 27 November 2013.

1.2. Registered office

Warszawa, ul. Złota 59, 8th floor.

1.3. Areas of activity

In accordance with the National Court Register, the Company's activities include 35 items.

In the audited period the Company's activities consisted primarily of:
- design and installation of rail, tram and trolley bus contact systems;
- construction and reconstruction of rail systems, rail stations and steering systems;
- design and installation of power lines;
- construction of bridges, overpasses, flyovers, culverts, tunnels, underground passageways, roads and the accompanying elements of rail infrastructure;
- complex "turn-key" projects (i.e. design, assembly and delivery of equipment, delivery of specialized software, assembly, startup, warranty service and maintenance) of:
  - rail, public transport and subway traction substations;
  - local and remote control of contact system disconnectors and SN alternating current line disconnectors;
  - remote control of all electric contact system equipment and auxiliary systems, such as platform lighting, electric heating of turnouts.

1.4. Legal bases for the Holding Company's operations

Trakcja PRKiI S.A. operates on the basis of:
- the Company's Statute prepared in the form of a notarial deed on 26 January 1995 (Rep. A No. 863/95) with subsequent amendments;
- the Code of Commercial Partnerships and Companies.

1.5. Registration at Business Court

On 29 January 2002 the Company was entered in the National Court Register at the Regional Court in Warsaw - XII Business Division – in number KRS 0000084266.

1.6. Registration at Tax Office and Voivodship Statistical Office

NIP	525-000-24-39
REGON	010952900

for the period from 1 January to 31 December 2013 (in '000 zł)

1.7. The Holding Company's share capital and equity

As at 31 December 2013 the Company's equity amounted to 537 603 thousand zł and consisted of:

– share capital	41 120 thousand zł,
– share premium	310 102 thousand zł,
– revaluation reserve	14 945 thousand zł,
– other reserves	145 216 thousand zł,
– undistributed profit/loss	26 220 thousand zł.

As at 31 December 2013 the Company's share capital amounted to 41 120 thousand zł and consisted of 411 196 384 shares with a nominal value of 0,10 zł per share, of the following series:

– series A	1 599 480 shares,
– series C	83 180 870 shares,
– series D	19 516 280 shares,
– series E	25 808 850 shares,
– series F	30 000 000 shares,
– series G	72 000 000 shares,
– series H	179 090 904 shares.

None of the shares are privileged.

In its Resolution No. 5 the Extraordinary General Shareholders Meeting of 12 December 2012 conditionally raised the Company's share capital by no more than 18 545 436 zł. The increase was performed by issuing no more than 185 454 360 ordinary H series bearer's shares with a nominal value of 0,10 zł per share. On 21 December 2012 the Regional Court for the capital city of Warsaw in Warsaw, XIII Business Division of the National Court Register, registered the contingent share capital increase. Once the holders of convertible D series bonds realized their rights to take up H series shares (which occurred in the first quarter of 2013), the Company's share capital was raised by 17 909 thousand zł through the issue of 179 090 904 H series shares.

The Company's shareholders as at the approval of the consolidated financial statements for publication:

Shareholder	Number of shares	Nominal value of shares in zł	% of share capital and of votes at GSM
COMSA S.A. (Spain)	118 418 237	11 841 823,7	28,80
ING OFE	60 846 729	6 084 672,9	14,80
OFE PZU	34 797 195	3 479 719,5	8,46
Other shareholders	197 134 223	19 713 422,3	47,94

The share premium includes a premium on the issue of C, D and F series shares. In addition, further to the issue of G series shares a premium of 50 388 zł arose, which was reduced by the share issue costs of 4 604 thousand zł. In addition, the Company increased the "Share premium" item by the refund of CIT and VAT relating to share issue costs incurred in the years 2007-2008. In the audited period, further to the issue of H series shares, the share premium was increased by a premium of 78 289 thousand zł.

Other reserves consist primarily of accumulated profits from previous years, retained by the Company based on prior shareholder decisions.

Undistributed profit/loss includes the profit earned for the financial year ended 31 December 2013.

for the period from 1 January to 31 December 2013 (in '000 zł)

1.8. The Holding Company's Management

As at 31 December 2013 the Company's Management Board comprised:

Roman Przybył	-	President of the Management Board;
Marita Szustak	-	Vice-President of the Management Board;
Stefan Dziedziul	-	Vice-President of the Management Board;
Nerijus Eidukevičius	-	Vice-President of the Management Board;
Tadeusz Kałdonek	-	Vice-President of the Management Board;
Jarosław Tomaszewski	-	Vice-President of the Management Board.

The following changes were made in the composition of the Company's Management Board in the period from 1 January 2013 to 31 December 2013:
- in its Resolution No. 2 passed on 12 June 2013 the Supervisory Board dismissed Mr. Rodrigo Pomar Lopez from the position of Vice-President of the Management Board;
- in its Resolution No. 5 passed on 28 November 2013 the Supervisory Board appointed Mr. Jarosław Tomaszewski to the position of Vice-President of the Management Board;
- in its Resolution No. 6 passed on 28 November 2013 the Supervisory Board appointed Mr. Stefan Dziedziul to the position of Vice-President of the Management Board.

The above changes have been submitted to and registered in the relevant court register.

No changes have been made in the composition of the Management Board since the balance sheet date.

2. The composition of the Group as at the balance sheet date and changes therein in the reporting period

As at 31 December 2013 the Trakcja PRKiI Group comprised the following entities:
- Trakcja PRKiI S.A. – holding company,
- PRK 7 Nieruchomości Sp. z o.o. – subsidiary company,
- companies from the AB Kauno Tiltai Group – where AB Kauno Tiltai is a subsidiary of the Company and at the same time a lower level holding company,
- Torprojekt Sp. z o.o. – subsidiary company,
- Bahn Technik Wrocław Sp. z o.o. – co-subsidiary company.

AB Kauno Tiltai is a regional group that builds infrastructure in Poland, Lithuania and Latvia. The group specializes in the construction and reconstruction of roads, bridges, tunnels, railroads, ports and public infrastructure. The company AB Kauno Tiltai controls the following road construction companies: UAB Kelda, UAB Taurakelis, UAB Kedainiu automobiliu keliai, TUB konsorciumas Tiltra, UAB Pletros investicijos and the PEUiM Group, which conducts operations relating to the construction and maintenance of roads on the territory of Poland.

The activities of PRK 7 Nieruchomości Sp. z o.o. consist of real estate development. The activities of Torprojekt Sp. z o.o. consist primarily of railroad construction design.

As at 31 December 2013 Trakcja PRKiI S.A. had joint-control over Bahn Technik Wrocław Sp. z o.o., of which it holds 50%. The activities of Bahn Technik Wrocław Sp. z o.o. consist of the provision of construction services for the railway and road transport sector (mainly welding work).

The structure of the Trakcja PRKiI Group as at 31 December 2013 is presented in Note No. 2 to the audited financial statements.

for the period from 1 January to 31 December 2013 (in '000 zł)

Trakcja PRKiI S.A. belongs to the Spanish COMSA EMTE Group. The COMSA EMTE Group is one of Spain's leading infrastructure construction companies. It is also present on other world markets – in Europe, Africa, South America and in Australia. The Group is also active in the real estate, environmental protection, road construction, renewable energy and municipal services sectors. The consolidated financial statements of the Trakcja PRKiI S.A. Group are consolidated by the COMSA EMTE Group.

The following changes occurred in the structure of the Trakcja PRKiI Group in the audited period:
- on 25 February 2013 the subsidiary AB Kauno Tiltai formed a branch of its company on the territory of Latvia;
- on 5 April 2013 the subsidiary UAB Pletros investicijos formed the company UAB Palangos aplinkkelis with its registered office in Vilnius, of which it holds 100%;
- on 19 December 2013 the Regional Court for the capital city of Warsaw in Warsaw, XII Business Division of the National Court Register entered in the National Court Register the combination of the Company with its subsidiary Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. (details in point 5 of the General Information section of the present report);
- the Extraordinary Shareholders Meeting of PT Kruszywa Sp. z o.o. of 19 December 2013 passed a resolution to dissolve the company and to open its liquidation.

After the balance sheet date, based on a decision issued on 6 March 2014 by the Regional Court in Białystok, XII Business Division of the National Court Register, the Company's (indirect) subsidiary Producent Kostki Brukowej i Galanterii Betonowej Brux Sp. z o.o. in liquidation was deleted from the National Court Register.

The companies that belong to the Group and are lower level holding companies have not prepared consolidated financial statements as at the balance sheet date.

2.1 Holding Company

Period covered by the financial statements	-	1 January to 31 December 2013
Total assets and liabilities	-	1 150 284 thousand zł
Net profit/loss	-	26 220 thousand zł
Increase in equity	-	126 541 thousand zł
Decrease in cash	-	15 019 thousand zł
Sales revenue	-	987 913 thousand zł
Auditor	-	BDO Sp. z o.o., ul. Postępu 12, Warszawa
Audit opinion	-	unqualified

2.2 The entities comprising the Group

The companies Bahn Technik Wrocław, PRK 7 Nieruchomości and Torprojekt have prepared statutory financial statements for the year 2013, which have been audited (with the exception of Torprojekt, which was not required to have its financial statements audited).

The companies of the AB Kauno Tiltai Group have prepared financial information for the period from 1 January to 31 December 2013 in accordance with the accounting methods applied by the Holding Company and to the extent necessary to include them in the consolidated financial statements of the Trakcja PRKiI Group. Financial information of the entities whose data are material to the Group's financial position and financial result has been audited by a certified auditor.

3. Information about the audited financial statements

We have audited the consolidated financial statements of the Trakcja PRKiI Group prepared for the period from 1 January to 31 December 2013, consisting of:

- the consolidated profit and loss account for the period from 1 January to 31 December 2013, showing a net profit of 37 916 thousand zł;
- the consolidated statement of comprehensive income for the period from 1 January to 31 December 2013, showing a comprehensive income of 45 013 thousand zł;
- the consolidated balance sheet prepared as at 31 December 2013, showing total assets and liabilities of 1 643 138 thousand zł;
- the consolidated cash flow statement for the period from 1 January to 31 December 2013, showing a net cash decrease of 39 368 thousand zł;
- the statement of changes in consolidated shareholders’ equity for the period from 1 January to 31 December 2013, showing an increase in consolidated shareholders’ equity of 141 186 thousand zł;
- notes to the financial statements.

4. Information about the entity authorized to conduct audits and the certified auditor performing the audit

The consolidated financial statements of the Trakcja PRKiI Group for the year 2013 have been audited by BDO Sp. z o.o. with its registered office in Warsaw, ul. Postępu 12, an entity authorized to audit financial statements, registered with the National Chamber of Certified Auditors in number 3355.

The auditor was selected in Resolution No. 1 passed by the Supervisory Board of Trakcja PRKiI S.A. on 11 June 2013. The audit was conducted based on an audit agreement signed on 22 August 2013, and performed under the direction of Krzysztof Maksymik, Certified Auditor No. 11380. The audit was performed at the registered office of the Holding Company in the period from 24 February 2014, intermittently until the issue of the audit opinion. It was preceded with a review of the consolidated financial statements for the first half of 2013, as well as with an interim audit.

We hereby declare that BDO Sp. z o.o., its management, the certified auditor and team performing the audit of the above-described financial statements meet the conditions required to issue an objective and independent opinion on the audited financial statements – as provided for in Article 56 par. 3 and 4 of the Act on certified auditors and their self-government, entities authorized to audit financial statements and on public supervision (2009 Journal of Laws No. 77, item 649 with subsequent amendments).

The Holding Company provided the auditor with access to all of the requested data and provided all the information and explanations necessary to perform the audit, as well as informed of the absence of any significant post-balance sheet events.

No limitations had been placed on the scope of the audit or on the methods selected by the auditor to perform the audit.

5. Information about the financial statements for the previous financial year

The opening balance was based on the consolidated financial statements prepared for the period from 1 January to 31 December 2012, which had been audited by BDO Sp. z o.o. and given an unqualified opinion.

The consolidated financial statements of the Trakcja Group for the period from 1 January to 31 December 2012 were approved in Resolution No. 5 passed by the Ordinary General Shareholders Meeting of 12 June 2013.

The consolidated financial statements for the year 2012 were filed with the National Court Register on 19 June 2013.

6. Other material information

The Extraordinary General Shareholders Meeting of 27 November 2013 passed Resolution No. 3 on the business combination of the Company (hereinafter referred to as "the Acquiree") with its subsidiary Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. (hereinafter referred to as "the Acquiree") in accordance with Article 492 §1 point 1 of the Code of Commercial Partnerships and Companies ("the Code"), i.e. by transferring all of the assets of the Acquiree to the Acquirer. Owing to the fact that the Acquirer already held 100% of the Acquiree, the combination was simplified in accordance with Article 516 § 6 of the Code, i.e. without raising the share capital and changing the Statute of the Company. On 19 December 2013 the Regional Court for the capital city of Warsaw in Warsaw, XII Business Division of the National Court Register, entered the business combination in the National Court Register.

The business combination was settled and recognized as at 31 December 2013 in the books of account of the Acquirer. As it had had control over the Acquiree as at the date of the combination, it was settled using the uniting of interests method, i.e. by adding up the corresponding assets and liabilities, as well as revenues and costs of the two companies as at the combination date, after first performing their valuation using the same valuation method and making the necessary eliminations. The actual business combination, in accordance with IFRS 3, took place on 30 November 2004, on the day on which the Holding Company acquired control over the Acquiree.

In view of the above, the comparatives in the financial statements for the year 2013 have not been changed compared to those published in the Group's approved consolidated financial statements for the prior year, because in the previous years the consolidated financial statements presented the Group's financial position as if the Group, including the two combined entities, constituted a whole.

for the period from 1 January to 31 December 2013 (in '000 zł)

II. FINANCIAL ANALYSIS

Presented below are selected consolidated balance sheet and consolidated profit and loss account items, as well as key financial ratios, compared to analogical amounts for previous years.

1. Main consolidated balance sheet items

ASSETS	31.12.13	% of balance sheet total	31.12.12*	% of balance sheet total	1.01.12*	% of balance sheet total
Fixed assets						
Tangible fixed assets	187 351	11,4%	192 849	14,5%	316 512	16,4%
Investment properties	30 324	1,8%	17 800	1,3%	15 896	0,8%
Goodwill on consolidation	375 217	22,8%	372 918	28,1%	380 353	19,8%
Intangible fixed assets	60 161	3,7%	59 875	4,5%	62 433	3,2%
Investments in associated entities	-	-	-	-	2 052	0,1%
Investments in other entities	24	0,0%	24	0,0%	25	0,0%
Other financial assets	25 665	1,6%	26 742	2,0%	31 228	1,6%
Deferred income tax assets	39 191	2,4%	25 296	1,9%	43 150	2,2%
Prepayments	1 891	0,1%	3 496	0,3%	4 133	0,2%
	719 824	**43,8%**	**699 000**	**52,7%**	**855 782**	**44,5%**
Current assets						
Inventory	103 656	6,3%	93 886	7,1%	150 741	7,8%
Trade and other receivables	637 108	38,8%	245 759	18,5%	542 569	28,2%
Income tax receivables	-	-	-	-	271	0,0%
Other financial assets	35 095	2,1%	26 422	2,0%	28 767	1,5%
Cash and cash equivalents	84 016	5,1%	121 193	9,1%	222 562	11,6%
Prepayments	8 558	0,5%	6 831	0,5%	9 967	0,5%
Construction contracts	54 881	3,3%	134 131	10,1%	109 939	5,7%
Assets held for sale	-	-	-	-	4 635	0,2%
	923 314	**56,2%**	**628 202**	**47,3%**	**1 069 451**	**55,5%**
TOTAL ASSETS	**1 643 138**	**100,0%**	**1 327 202**	**100,0%**	**1 925 233**	**100,0%**

**) Data restated further to a change in the accounting and presentation of certain financial statements items. Detailed information on the restatement of comparatives is presented in Note 10 to the consolidated financial statements.*

for the period from 1 January to 31 December 2013 (in '000 zł)

Main consolidated balance sheet items, continued

LIABILITIES AND EQUITY	31.12.13	% of balance sheet total	31.12.12*	% of balance sheet total	1.01.12*	% of balance sheet total
Equity (attributed to holding company shareholders)	**632 422**	**38,5%**	**491 851**	**37,1%**	**530 182**	**27,5%**
Share capital	41 120	2,5%	23 211	1,7%	23 211	1,2%
Contingent share capital increase	-	-	18 545	1,4%	-	-
Unpaid share capital	-	-	(18 545)	(1,4%)	-	-
Share premium	310 102	18,9%	231 813	17,5%	231 591	12,0%
Revaluation reserve	8 158	0,5%	2 396	0,2%	2 343	0,1%
Other reserves	226 987	13,8%	241 025	18,2%	199 775	10,4%
Undistributed profit/loss	37 706	2,3%	(11 928)	(0,9%)	56 674	2,9%
Foreign exchange differences on translation of foreign entities	8 349	0,5%	5 334	0,4%	16 588	0,9%
Non-controlling interests	**2 407**	**0,1%**	**1 792**	**0,1%**	**18 600**	**1,0%**
Total equity	**634 829**	**38,6%**	**493 643**	**37,2%**	**548 782**	**28,5%**
Long-term liabilities						
Interest bearing bank credits and loans	19 523	1,2%	97 911	7,4%	134 216	7,0%
Cost provisions	4 226	0,3%	3 718	0,3%	3 460	0,2%
Liabilities relating to employee benefits	10 318	0,6%	9 552	0,7%	17 008	0,9%
Provision for deferred income tax	29 731	1,8%	30 421	2,3%	41 107	2,1%
Bonds	49 926	3,0%	12 913	1,0%	160 040	8,3%
Derivative financial instruments	570	0,0%	-	-	58	0,0%
Other financial liabilities	-	-	-	-	24	0,0%
	114 294	**7,0%**	**154 515**	**11,6%**	**355 913**	**18,5%**
Short-term liabilities						
Interest bearing bank credits and loans	167 467	10,2%	38 373	2,9%	230 517	12,0%
Bonds	-	-	147 761	11,1%	5 695	0,3%
Trade and other payables	507 202	30,9%	333 361	25,1%	570 766	29,6%
Cost provisions	19 138	1,2%	9 838	0,7%	21 842	1,1%
Liabilities relating to employee benefits	9 424	0,6%	8 744	0,7%	13 567	0,7%
Income tax payables	4 699	0,3%	2 657	0,2%	-	-
Derivative financial instruments	-	-	59	0,0%	95	0,0%
Other financial liabilities	34 718	2,1%	-	-	4 647	0,2%
Accruals	68	0,0%	94	0,0%	1 496	0,1%
Construction contracts	150 467	9,2%	133 660	10,1%	151 370	7,9%
Advances received towards apartments	832	0,1%	4 497	0,3%	20 543	1,1%
	894 015	**54,4%**	**679 044**	**51,2%**	**1 020 538**	**53,0%**
TOTAL LIABILITIES AND EQUITY	**1 643 138**	**100,0%**	**1 327 202**	**100,0%**	**1 925 233**	**100,0%**

**) Data restated further to a change in the accounting and presentation of certain financial statements items. Detailed information on the restatement of comparatives is presented in Note 10 to the consolidated financial statements.*

for the period from 1 January to 31 December 2013 (in '000 zł)

2. Main consolidated profit and loss account items

	1.01.13 - 31.12.13	% of sales revenue	1.01.12 - 31.12.12*	% of sales revenue	1.01.11 - 31.12.11**	% of sales revenue
Continuing operations						
Sales revenue	1 674 984	100,0%	1 346 676	100,0%	2 143 586	100,0%
Cost of goods sold	(1 566 643)	(93,5%)	(1 304 572)	(96,9%)	(2 061 297)	(96,2%)
Gross sales profit	**108 341**	**6,5%**	**42 104**	**3,1%**	**82 289**	**3,8%**
Sales, marketing and distribution costs	(7 366)	(0,4%)	(7 519)	(0,6%)	(8 443)	(0,4%)
General administrative costs	(51 683)	(3,1%)	(50 967)	(3,8%)	(72 530)	(3,4%)
Profit/loss on other operating activities	1 160	0,1%	(499)	(0,0%)	115 032	5,4%
Loss of control over subsidiaries	46	0,0%	45 149	3,4%	-	-
Operating profit/loss	**50 498**	**3,1%**	**28 268**	**2,1%**	**116 348**	**5,4%**
Profit/loss on financial activities	(17 523)	(1,1%)	(27 639)	(2,1%)	(54 615)	(2,5%)
Acquisition costs	-	-	-	-	(1 342)	(0,1%)
Profit/loss on the sale of associated entity	-	-	-	-	1 309	0,1%
Gross profit	**32 975**	**2,0%**	**629**	**0,0%**	**61 700**	2,9%
Income tax	(4 941)	(0,3%)	13 146	1,0%	(9 880)	(0,5%)
Net profit/loss from continuing operations	**37 916**	**2,3%**	**(12 517)**	**(0,9%)**	**51 820**	2,4%
Net profit/loss for the year	**37 916**	**2,3%**	**(12 517)**	**(0,9%)**	**51 820**	2,4%
Attributed to:						
Holding company shareholders	37 706		(11 928)		98 782	
Non-controlling shareholders	210		(589)		(46 962)	

**) Data restated further to a change in the accounting and presentation of certain financial statements items. Detailed information on the restatement of comparatives is presented in Note 10 to the consolidated financial statements.*

***) Data not fully comparable - do not include the presentation adjustments made in 2013.*

for the period from 1 January to 31 December 2013 (in '000 zł)

3. Key financial ratios

		1.01.13 - 31.12.13	1.01.12 - 31.12.12*	1.01.11 - 31.12.11**
Profitability ratios:				
Return on assets	net profit/loss for the year / total assets	2,3%	(0,9%)	2,7%
Return on equity	net profit/loss for the year / equity	6,0%	(2,5%)	9,5%
Net sales profitability	net profit/loss for the year / sales revenue	2,3%	(0,9%)	2,4%
Gross sales profitability	sales profit/loss / sales revenue	6,5%	3,1%	3,8%
Liquidity ratios:				
Current ratio	total current assets / short-term liabilities	1,0	0,9	1,0
Quick ratio	total current assets – inventory / short-term liabilities	0,9	0,8	0,9
Operating ratios:				
Receivable days	average trade receivables*** x 360 days / sales revenue	91 days	101 days	50 days
Payable days	average trade payables*** x 360 days / cost of goods sold	87 days	112 days	56 days
Inventory days	average inventory*** x 360 days / cost of goods sold	23 days	34 days	23 days
Other ratios:				
Debt rate	total liabilities / total assets and liabilities	61,4%	62,8%	71,5%
Book value per share in zł	equity / number of shares at end of period	1,54	2,13	2,27
Profit per share in zł	net profit/loss for the year / weighted average number of shares	0,10	(0,05)	0,46

**) Data restated further to a change in the accounting and presentation of certain financial statements items. Detailed information on the restatement of comparatives is presented in Note 10 to the consolidated financial statements.*

***) Data not fully comparable - do not include the presentation adjustments made in 2013.*

****) Average receivables, inventory and payables calculated as the mathematical averages of their opening and closing balances.*

4. Remarks

As at 31 December 2013 the Group's total assets and liabilities amounted to 1 643 138 thousand zł and were by 23,8% higher than last year. The Group's assets are made up primarily of current assets (56,2% of the balance sheet total), of which the greatest are trade and other receivables in the amount of 637 108 thousand zł (2012: 245 759 thousand zł). They have gone up due mainly to an increase in the value of sales, the postponement in time of a payment of receivables by the Group's main customer and an extension of the Group's operating cycle by the winter months due to favorable weather conditions.

Goodwill on consolidation, resulting from the 2011 acquisition of entities belonging to the Kauno TIltai AB and Lithold AB groups, is the greatest fixed assets item (375 217 thousand zł).

As at the balance sheet date the Group's equity amounted to 634 829 thousand zł and was by 141 186 thousand zł higher than at the end of 2012, due mainly to the Holding Company's conversion of bonds into H series shares (17 909 thousand zł) and the resulting share premium (78 289 thousand zł), as well as the Group's 37 916 thousand zł financial result for the period, which was by 50 433 thousand zł higher than last year.

The Group's main source of financing was borrowed capital, constituting 61,4% of the balance sheet total. As at 31 December 2013 long-term liabilities amounted to 114 294 thousand zł, having declined by 40 221 thousand zł from the previous year, mainly as a result of lower debt in the form of bank credits and loans.

Considerable changes occurred in the structure of the Group's short-term liabilities in the audited period. Due to an increase in the value of construction contracts, trade and other payables reached the amount of 507 202 thousand zł (up by 52,1% from 2012). As a result of a financing restructuring transaction performed by the Holding Company, the short-term liabilities relating to bonds in the amount of 147 761 thousand zł were converted into debt securities with extended maturity dates, as well as into the Holding Company's equity.

As a result of a rise in the value of contracts and an extension of the Group's operating cycle due to favorable weather conditions, the Group's sales revenue for the audited period reached the amount of 1 674 984 thousand zł, which constitutes an increase by 24,3% from the year before. At the same time, in the 12 months of 2013 the cost of goods sold went up by 20,1% to 1 566 643 thousand zł. As a result the Group generated a gross sales profit of 108 341 thousand zł, which was by 157,3% higher than the year before.

The Group achieved a profit of 1 160 thousand zł on other operating activities – by 1 659 thousand zł higher than last year. Due to the loss of control over the Lithold Group on 30 June 2012 in the comparative period it had recognized an additional profit of 45 149 thousand zł.

In the audited period the Company incurred a loss on financial activities in the amount of 17 523 thousand zł, which was, however, by 10 116 thousand zł lower than last year, due mainly to lower costs of debt relating to bonds and bank credits and loans.

The negative effective tax rate of -15% is a result of the Holding Company's reversal in the audited period of a deferred tax asset write down, as well as the formation of an asset on tax losses incurred in prior years.

Taking the above into account, the Group’s net profit for the audited period reached the amount of 37 916 thousand zł compared to last year’s net loss of 12 517 thousand zł.

Following the generation of a financial profit, all of the profitability ratios improved in the audited period. The return on assets and net sales profitability ratios reached 2,3% after going up by 3,2 percentage points from last year. Gross sales profitability amounted to 6,5% compared to 3,1% in 2012.

The rise in the value of the Group’s revenue and costs in relation to average receivables and payables resulted in a decline in the turnover ratios. The receivable days ratio amounted to 91 days in 2013, decreasing by 10 days from the year before, whilst the payable days ratio had a value of 87 days compared to 112 days in 2012.

The Group’s debt rate amounted to 61,4% compared to 62,8% last year.

III. DETAILED INFORMATION

1. Accounting methods

The entities covered by the consolidated financial statements of the Trakcja PRKiI Group applied the same accounting principles and methods in the valuation of their individual assets and liabilities. The financial statements of the entities that apply Polish accounting methods have been appropriately restated for the purposes of consolidation.

2. Methods used to prepare the consolidated financial statements

The consolidated financial statements of the Trakcja PRKiI Group have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations issued in the form of regulations by the European Commission, and in issues not regulated by these standards – in accordance with the requirements of the Accounting Act and the related implementing provisions.

3. Additional information

Additional information on accounting policies and other information has been prepared completely and correctly, in accordance with the requirements of IFRS, and in matters not regulated by these standards – in accordance with the requirements of the Accounting Act.

4. Statement of changes in consolidated shareholders' equity

The data listed in the statement of changes in consolidated shareholders' equity are consistent with the consolidated balance sheet and the books of account, and show truly and fairly the changes made in the Group's equity.

5. Consolidated cash flow statement

The consolidated cash flow statement has been prepared in accordance with IAS 7, using the indirect method, and is consistent with the consolidated balance sheet and the consolidated profit and loss account.

6. Directors' Report

In accordance with the requirements of Article 55 of the Accounting Act and by the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2014 Journal of Laws, item 330), the Holding Company's Management Board prepared a Directors' Report on the Group's activities.

The information presented in the Directors' Report is consistent with the information presented in the audited financial statements.

7. Management's Declaration

The Holding Company's Management submitted a written declaration about the completeness of the books of account, disclosure of all contingent liabilities and absence of any significant post-balance sheet events.

Warsaw, 21 March 2014

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Registration No. 3355

Authorized Audit Company No. 3355

Auditor in charge:

Krzysztof Maksymik
Certified Auditor No. 11380
(signed on the Polish original)

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

André Helin, PhD
Senior Partner & CEO
Certified Auditor No. 90004
(signed on the Polish original)