TRAKCJA CAPITAL GROUP

CONSOLIDATED SEMI-ANNUAL REPORT
FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2016

CONTENTS OF THE CONSOLIDATED SEMI-ANNUAL REPORT

(data in PLN 000s, unless stated otherwise)

SELECTED FINANCIAL DATA OF THE TRAKCJA CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
30.06.2016 r.	4,3805	4,2355	4,4987	4,4255
31.12.2015 r.	4,1848	3,9822	4,3580	4,2615
30.06.2015 r.	4,1341	3,9822	4,3335	4,1944

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

Main consolidated balance sheet line items converted into euro:

	30.06.2016		31.12.2015	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	695 301	157 112	683 214	160 322
Current assets	639 628	144 532	623 143	146 226
Total assets	**1 334 929**	**301 644**	**1 306 357**	**306 548**
Equity	737 101	166 557	726 291	170 431
Long-term liabilities	121 397	27 431	120 910	28 372
Short-term liabilities	476 431	107 656	459 156	107 745
Total equity and liabilities	**1 334 929**	**301 644**	**1 306 357**	**306 548**

To convert the data of the consolidated balance sheet, the FX rate set by the National Bank of Poland on the last day of a given reporting period has been used.

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

	For the period 6 months ended 30.06.2016		For the period 6 months ended 30.06.2015	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	478 829	109 309	564 772	136 613
Cost of goods sold	(422 482)	(96 446)	(500 592)	(121 089)
Gross profit (loss) on sales	56 347	12 863	64 180	15 525
Operating profit (loss)	25 184	5 749	23 580	5 704
Gross profit (loss)	22 518	5 140	22 129	5 353
Net profit (loss) from continued operations	18 663	4 260	18 092	4 376
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	**18 663**	**4 260**	**18 092**	**4 376**

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

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

	For the period 6 months ended 30.06.2016		For the period 6 months ended 30.06.2015	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(196 325)	(44 818)	16 245	3 929
Cash flows from investment activities	(708)	(162)	(7 476)	(1 808)
Cash flows from financial activities	(11 910)	(2 719)	(42 633)	(10 313)
Total net cash flows	**(208 943)**	**(47 699)**	**(33 864)**	**(8 191)**

To convert the above data of the consolidated cash flow statement, the average euro exchange rate calculated as the arithmetic mean of the exchange rates (set by the National Bank of Poland on the last day of each month in a given reporting period) was used.

(data in PLN 000s, unless stated otherwise)

	30.06.2016		30.06.2015	
	TPLN	**TEUR**	**TPLN**	**TEUR**
Cash at start of period	251 317	58 974	57 638	13 523
Cash at end of period	**42 374**	**9 575**	**23 774**	**5 668**

To convert the above consolidated cash flow statement data, the following assumptions were taken:

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

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

The FX rate as at the last day of the financial year ended December 31, 2014 was 4,2623 PLN/EUR.

TRAKCJA
CAPITAL GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2016
PREPARED IN COMPLIANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKiI S.A. has approved the condensed consolidated financial statements of the Trakcja Capital Group for the period from January 1, 2016 to June 30, 2016.

The condensed consolidated financial statements for the period from January 1, 2016 to June 30, 2016 have been prepared according to the International Financial Reporting Standards (IFRS) approved by the European Union applicable to interim reporting (MSR 34 "Interim Financial Reporting").

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

1. Consolidated profit and loss account for the period from January 1, 2016 to June 30, 2016, showing a net profit of PLN **18,663** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2016 to June 30, 2016, showing the total comprehensive income of PLN **28,849** thousand.
3. Consolidated balance sheet prepared as at June 30, 2016, showing total assets and total equity and liabilities of PLN **1,343,929** thousand.
4. Consolidated cash flow statement for the period from January 1, 2016 to June 30, 2016, showing a decrease in the cash balance by the amount of PLN **208,943** thousand.
5. Statement of changes in consolidated equity for the period from January 1, 2016 to June 30, 2016, showing an increase to consolidated equity by the amount of PLN **10,810** thousand.
6. Condensed notes and explanations.

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

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

Jarosław Tomaszewski

President of the Board

Nerijus Eidukevičius

Vice President of the Board

Marek Kacprzak

Vice President of the Board

Paweł Nogalski

Vice President of the Board

Sławomir Raczyński

Vice President of the Board

Warsaw, August 30, 2016

CONTENTS

(data in PLN 000s, unless stated otherwise)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
		Unaudited	*Unaudited*
Continued operations			
Sales revenues	**14**	**478 829**	**564 772**
Cost of goods sold		**(422 482)**	**(500 592)**
Gross profit on sales		**56 347**	**64 180**
Cost of sales, marketing and distribution		(3 312)	(3 368)
General and administrative costs		(29 238)	(35 371)
Other operating revenues	15	4 684	1 864
Other operating costs	16	(2 613)	(3 636)
Share of profit (losses) of joint venture	42	(684)	(89)
Operating profit		**25 184**	**23 580**
Financial revenues	17	2 277	4 544
Financial costs	18	(4 943)	(5 995)
Gross profit		**22 518**	**22 129**
Income tax	19	(3 855)	(4 037)
Net profit from continued operation		**18 663**	**18 092**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit for the period		**18 663**	**18 092**
Attributable to:			
Shareholders of parent entity		18 153	17 432
Non-controlling interests		510	660
Profit per share attributable to shareholders in the period (PLN per share)			
- basic		0,35	0,34
- diluted		0,35	0,34

(data in PLN 000s, unless stated otherwise)

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
		Unaudited	*Unaudited*
Net profit for the period		**18 663**	**18 092**
Other comprehensive income:			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		**545**	**(922)**
Actuarial gains/(losses)		545	(922)
Other comprehensive income that will be reclassified to profit or loss:		**9 641**	**(3 641)**
Foreign exchange differences on translation of foreign operations		11 536	(4 592)
Cash flow hedging instruments	34	(1 895)	951
Total other comprehensive income		**10 186**	**(4 563)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**28 849**	**13 529**
Attributable to:			
Shareholders of Parent entity		28 757	12 657
Non-controlling interests		92	872

(data in PLN 000s, unless stated otherwise)

CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.06.2016	31.12.2015
		Unaudited	*Modified*
Non-current assets		**695 301**	**683 214**
Tangible non-current assets	20	200 475	194 232
Intangible assets		56 074	56 603
Goodwill from consolidation	22	341 106	334 718
Investment properties	23	21 989	21 976
Investments in joint ventures	42	13 454	14 140
Investments in other units		26	25
Other financial assets	24	46 948	45 564
Deferred tax assets	19	9 679	9 715
Construction contracts	28	3 263	2 527
Prepayments		2 287	3 714
Current assets		**639 628**	**623 143**
Inventory	25	110 845	84 828
Trade and other receivables	26	438 669	246 864
Other financial assets	24	9 740	14 830
Cash and cash equivalents	27	44 810	251 435
Prepayments		9 820	8 961
Construction contracts	28	25 744	16 225
Total assets		**1 334 929**	**1 306 357**
Equity and liabilities			
Equity attributable to shareholders of parent entity		**733 635**	**722 341**
Share capital	29	41 120	41 120
Share premium account		309 984	309 984
Revaluation reserve		6 178	6 178
Other capital reserves		331 667	299 785
Retained earnings		18 153	50 203
Foreign exchange differences on translation of foreign operations		26 533	15 071
Non-controlling interests	**30**	**3 466**	**3 950**
Total equity		**737 101**	**726 291**
Long-term liabilities		**121 397**	**120 910**
Interest-bearing loans and borrowings	31	78 959	89 494
Provisions	35	18 754	9 202
Liabilities due to employee benefits		11 280	11 737
Provision for deferred tax	19	5 047	5 549
Derivative financial instruments	34	7 308	4 862
Other financial liabilities		49	66
Short-term liabilities		**476 431**	**459 156**
Interest-bearing loans and borrowings	31	30 046	21 625
Trade and other liabilities	37	311 756	288 100
Provisions	35	18 724	23 690
Liabilities due to employee benefits		13 135	10 894
Income tax liabilities		1 208	5 167
Derivative financial instruments	34	1 019	981
Other financial liabilities	33	-	148
Accruals		479	219
Construction contracts	28	97 810	108 223
Advances received towards flats		2 254	109
Total equity and liabilities		**1 334 929**	**1 306 357**

(data in PLN 000s, unless stated otherwise)

CONSOLIDATED CASH FLOW STATEMENT

	Note	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
		Unaudited	*Unaudited*
Cash flows from operating activities			
Gross profit from continued operations		**22 518**	**22 129**
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		**(218 843)**	**(5 884)**
Depreciation		11 421	12 230
FX differences		799	(684)
Net interest and dividends		1 735	1 460
Profit on investment activities		(3 879)	(75)
Share of profits of joint venture		684	89
Change in receivables		(193 957)	113 107
Change in inventory		(25 270)	(7 609)
Change in liabilities, excluding loans and borrowings		10 218	(82 080)
Change in prepayments and accruals		1 124	(3 356)
Change in provisions		4 726	(7 765)
Change in construction contracts		(22 276)	(16 021)
Change in financial derivatives		2 198	(1 118)
Income tax paid		(7 750)	(13 266)
Other		(1 013)	37
Foreign exchange differences on translation of foreign operations		2 397	(833)
Net cash flows from operating activities		**(196 325)**	**16 245**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(8 130)	(10 067)
- acquisition		(12 019)	(12 242)
- sale		3 889	2 175
Financial assets		7 301	311
- granted or acquired		9 151	3 393
- repaid		(1 850)	(3 082)
Loans		-	1 948
- granted		-	1 948
Interest received		121	332
Net cash flows from investment activities		**(708)**	**(7 476)**
Cash flows from financial activities			
Proceeds on account of taken borrowings and loans		11 659	137 615
Repayment of borrowings and loans		(15 163)	(133 561)
Interest and commissions paid		(2 869)	(4 230)
Dividends paid to non-controlling shareholders		-	(291)
Payment of liabilities under financial lease agreements		(5 233)	(3 829)
Outflows (inflows) from other financial liabilities		(304)	(38 338)
Net cash flows from financial activities		**(11 910)**	**(42 633)**
Total net cash flows		**(208 943)**	**(33 864)**
Net FX differences		-	-
Cash at start of period		**251 317**	**57 638**
Cash at end of period	**43**	**42 374**	**23 774**
- with limited access	43	959	940

(data in PLN 000s, unless stated otherwise)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Equity attributable to shareholders of parent entity										
	Share capital	**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 years**					
As at 1.01.2016	**41 120**	**309 984**	**6 178**	**(3 598)**	**(1 363)**	**304 746**	**15 071**	**50 203**	**722 341**	**3 950**	**726 291**
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	**41 120**	**309 984**	**6 178**	**(3 598)**	**(1 363)**	**304 746**	**15 071**	**50 203**	**722 341**	**3 950**	**726 291**
Net profit for the period	-	-	-	-	-	-	-	18 153	18 153	510	18 663
Other comprehensive income	-	-	-	(1 403)	545	-	11 462	-	10 604	(418)	10 186
Distribution of profit	-	-	-	-	-	32 727	-	(32 727)	-	-	-
Dividend payment	-	-	-	-	-	-	-	(17 476)	(17 476)	-	(17 476)
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(582)	(582)
Other changes	-	-	-	-	-	13	-	-	13	6	19
As at 30.06.2016 Unaudited	**41 120**	**309 984**	**6 178**	**(5 001)**	**(818)**	**337 486**	**26 533**	**18 153**	**733 635**	**3 466**	**737 101**
Audited											
As at 1.01.2015	**41 120**	**309 984**	**6 790**	**(3 994)**	**(4 744)**	**257 996**	**15 221**	**49 537**	**671 910**	**2 593**	**674 503**
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2015 after adjustments	**41 120**	**309 984**	**6 790**	**(3 994)**	**(4 744)**	**257 996**	**15 221**	**49 537**	**671 910**	**2 593**	**674 503**
Net profit for the period	-	-	-	-	-	-	-	17 432	17 432	660	18 092
Other comprehensive income	-	-	-	700	(919)	-	(4 556)	-	(4 775)	212	(4 563)
Distribution of profit	-	-	-	-	-	49 537	-	(49 537)	-	-	-
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(355)	(355)
Additional capital subsidiary from non-controlling shareholders	-	-	-	-	-	(20)	-	-	(20)	20	-
Transfer within equity	-	-	(602)	-	3 488	(2 886)	-	-	-	-	-
Other changes	-	-	-	-	-	129	-	-	129	(7)	122
As at 30.06.2015 Unaudited	**41 120**	**309 984**	**6 188**	**(3 294)**	**(2 175)**	**304 756**	**10 665**	**17 432**	**684 676**	**3 123**	**687 799**

(data in PLN 000s, unless stated otherwise)

	Equity attributable to shareholders of parent entity										
	Share capital	**Share premium**	**Revaluation reserve**	**Other reserve capitals**			**Foreign exchange differences on translation of foreign operations**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Audited				**Hedging instruments**	**Actuarial gains/ (losses)**	**Results from previous years**					
As at 1.01.2015 r.	**41 120**	**309 984**	**6 790**	**(3 994)**	**(4 744)**	**257 996**	**15 221**	**49 537**	**671 910**	**2 593**	**674 503**
Correction of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2015 After adjustments	**41 120**	**309 984**	**6 790**	**(3 994)**	**(4 744)**	**257 996**	**15 221**	**49 537**	**671 910**	**2 593**	**674 503**
Net profit for the period	-	-	-	-	-	-	-	50 203	50 203	1 555	51 758
Other comprehensive income	-	-	-	396	(107)	-	(150)	-	139	144	283
Dividend paid to non-controlling interest	-	-	-	-		-	-	-	-	(358)	(358)
Distribution of profit	-	-	-	-	-	49 537	-	(49 537)	-	-	-
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-		-	-	(102)	-	-	(102)	20	(82)
Transfer within equity	-	-	(612)	-	3 488	(2 876)	-	-	-	-	-
Other	-			-	-	191	-	-	191	(4)	187
As at 31.12.2015 r.	**41 120**	**309 984**	**6 178**	**(3 598)**	**(1 363)**	**304 746**	**15 071**	**50 203**	**722 341**	**3 950**	**726 291**

CONDENSED NOTES AND EXPLANATIONS

1. General information

This condensed consolidated financial statements of the Group cover the 6-month period ended on June 30, 2016 and comparable data for the 6-month period ended on June 30, 2015 and as at December 31, 2015.

Trakcja Capital Group (the "Group"; "GK Trakcja") consists of the Parent company Trakcja PRKiI S.A. ("Trakcja PRKiI", the "Parent company", the "Company"), its subsidiaries and a company classified according to IFRS 11 as a joint venture (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 the Extraordinary Shareholder Meeting on November 22, 2007. The change was confirmed by the entry in the National Court Register made on December 10, 2007. The Company's previous business name was Trakcja Polska – PKRE S.A. The Parent company operates on the basis of the articles of association prepared in the form of a notary deed on January 26, 1995 (Rep. A No. 863/95), as amended.

On September 1, 2009, the District Court for the capital city of Warsaw, 12th Economic Department of the National Court Register, has registered the merge of Trakcja Polska S.A. (as a taking-over company) with Przedsiębiorstwo Robót Komunikacyjnych-7 S.A. (as a company being taken-over). The merger of the companies has been settled and included on 31 August 2009 in the accountancy books of the company, to which the property of the merged companies passed to, i.e. Trakcja Polska S.A. according to the pooling of interest method. The actual merger of the companies, according to IFRS 3 took place at the moment of taking the control, i.e. on 1 September 2007.

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

On December 19, 2013, the District Court for the Capital City Warsaw in Warsaw, 12th Economic Division of the National Court Register registered the merger of 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 December 19, 2013, the District Court for the Capital City Warsaw in Warsaw, 13th Economic Division of the National Court Register registered the change of name of the Company from Trakcja S.A. to Trakcja PRKiI S.A. This change was registered under Resolution No. 4 of the Extraordinary Shareholder 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 19th Economic 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 59 Złota Street, XVIII floor. The duration of the Parent company and the other entities comprising the Group is indefinite.

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

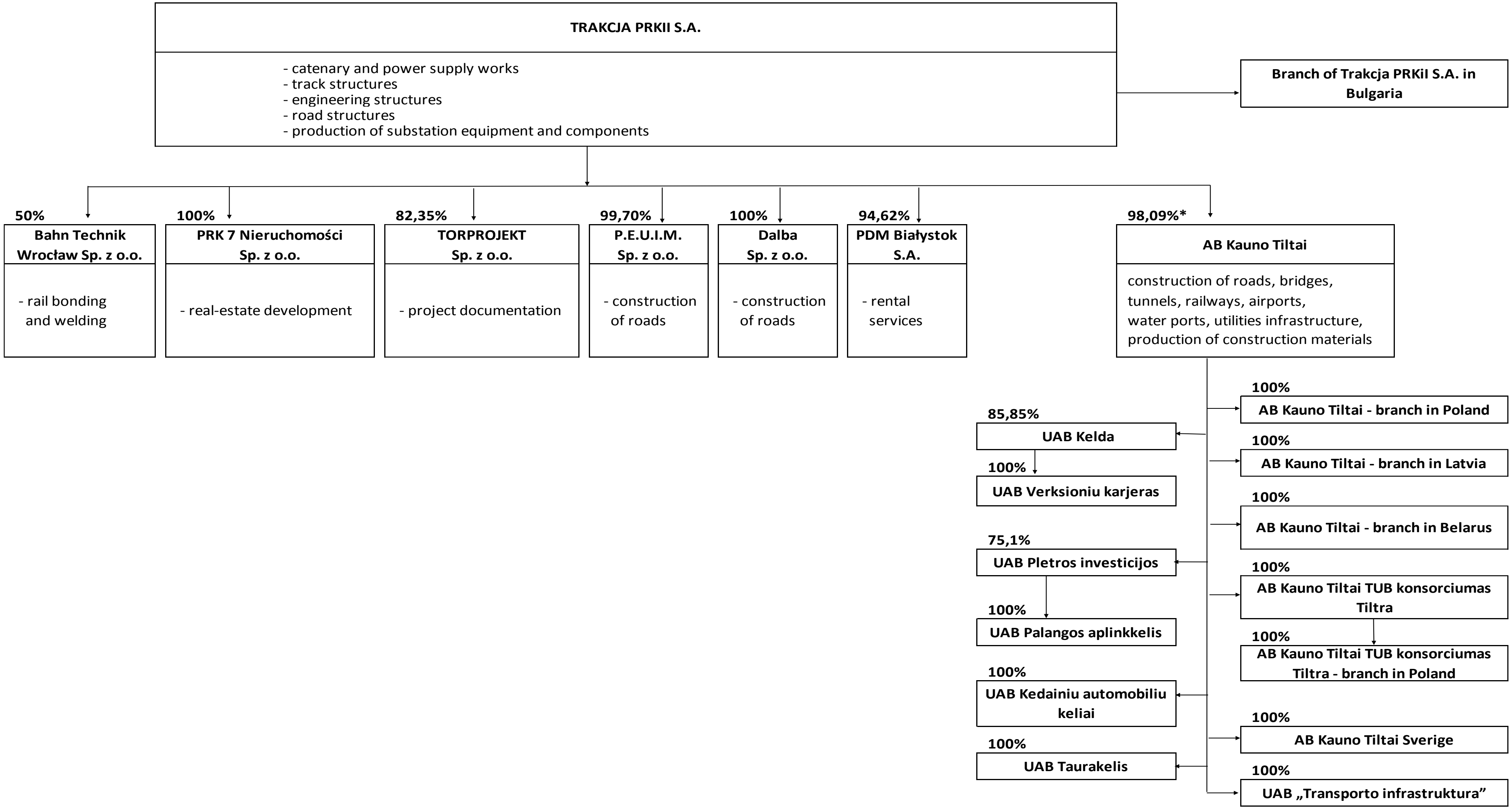
- work on foundations and networks;
- installation of overhead contact substations and section cabins;
- installation of high and low voltage overhead and cable lines;
- installation of power supply and local control cables;
- production of high, medium and low voltage switching stations, overhead contact 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 elements of rail and road infrastructure.

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

As at June 30, 2016, the Group consists of the Parent company Trakcja PRKiI S.A., subsidiaries and Bahn Technik Wrocław Sp. z o.o. classified according to IFRS 11 as a joint venture.

The Group's organizational structure is presented below:



***)** *Trakcja PRKiI S.A. 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 own shares by a subsidiary.*

The entities that are subject to full consolidation:

PRK 7 Nieruchomości Sp. z o.o.

PRK 7 Nieruchomości Sp. z o.o. is - in a broad meaning - a developer company with several successful investments like Osiedle Lazurowe in Warsaw – phase I and phase II, Oliwska street in Warsaw investment and construction of five multi-family buildings at Pelczynskiego street in Warsaw. Currently the company is carrying out the investment of building of the terraced houses at Oliwska Street in Warsaw.

Torprojekt Sp. z o.o.

Torprojekt Sp. z o.o. with seat in Warsaw has been founded in 2009. The company prepares comprehensive design documentation: feasibility studies, concept studies, basic projects including construction projects, tender materials and detailed designs in the following branches: railway lines, stations, junctions, passenger stops and loading points, bridges, viaducts, controlling devices of railway traffic, buildings and constructions together with technology, etc.

Przedsiębiorstwo Eksploatacji Dróg i Mostów Sp. z o.o. („PEUiM")

It is a road-construction company which operates mainly in the north-eastern part of Poland. PEUiM company has been established in 1960 in Białystok. The company specializes in construction of roads and pavements, installation of signalling devices and warning devices that protect roads. Additionally, the company manufactures bitumen, concrete and other construction materials.

Dalba Sp. z o.o.

It is a Białystok-based company that specializes in engineering works, especially in installation of sanitary infrastructure for roads and streets.

PDM Białystok S.A.

It is a Białystok-based company that provides rental services of equipment, rooms and tools as well as it is a provider of materials to PEUiM.

AB Kauno Tiltai Group

AB Kauno Tiltai is the largest company operating in the road and bridge construction sector in the Baltic countries. The company is specialized in the construction and re-construction of roads, bridges, tunnels, railway lines, airport and water ports which is confirmed by the fact that since the beginning of its operations in 1949 AB Kauno Tiltai has constructed more than 100 bridges and viaducts and was responsible for construction and re-construction of many roads in the whole territory of Lithuania.

AB Kauno Tiltai with seat in Kaunas is a subsidiary company of the Parent company Trakcja PRKiI and at the same time is the parent company of AB Kauno Tiltai Group.

AB Kauno Tiltai Group is composed of the following entities:

- UAB Kelda – a subsidiary company with seat in Vievis (Lithuania), which is the parent company of
    - UAB Verksioniu karjeras (Lithuania);
- UAB Taurakelis – a subsidiary company with seat in Taurage (Lithuania) which is the parent company of UAB Taurakelis Group and which does not prepare the consolidated financial statement. This Group is included in consolidation at the level of Trakcja Group. Other entities that are in the UAB Taurakelis Group are:
    - Dalba Sp. z o.o. – a subsidiary company with seat in Białystok;
    - PDM Białystok S.A. – a subsidiary company with seat in Białystok;
- UAB Kedainiu Automobiliu Keliai – a subsidiary company with seat in Kedainiai (Lithuania);
- UAB Verksioniu karjeras – a subsidiary company with seat in Bagoteliu K (Lithuania);
- TUB Konsorciumas Tiltra – a subsidiary company with seat in Kaunas (Lithuania);
- UAB Pietros investicijos – a subsidiary company with seat in Vilnius (Lithuania);
- UAB Palangos aplinkkelis – a subsidiary company with seat in Vilnius (Lithuania) founded to carry out the agreement of public-private partnership;

- AB Kauno Tiltai office in Poland – a subsidiary company with seat in Vilnius (Lithuania);
- AB Kauno Tiltai office in Latvia – a subsidiary company with seat in Rezekne (Latvia);
- AB Kauno Tiltai Sverige – a subsidiary company with seat in Malmo (Sweden);
- UAB "Transporto infrastruktura" – a subsidiary company with seat in Vilnius (Lithuania);

The following entities are consolidated by equity method:

Bahn Technik Wrocław Sp. z o.o.

Trakcja PRKiI S.A. is the owner of 50% of share capital of Bahn Technik Wrocław Sp. z o.o. ("BTW"). Other 50% of share capital is owned by company of Deutsch law with business name of Leonhard Weiss GmbH & Co with seat in Göppingen. The Company is co-controlling BTW and classifies the company as a joint venture in accordance with IRFS 11.

The scope of activity of BTW includes the sale of level crossing panels type Strail of Gummiwerk Kraiburg Elastik GmbH, thermite welding, repair and renovation of crossovers, renovation of railway and tramway crossings, production of isolated glue-tensed joints of S type, sale of welding materials of Railtech company, sale of rail oilers of Perker SR company, sale of buffer stops of A.Rawie company. Additionally, since December 2015 BTW owns GOTTWALD crane and track stabilizator DGS. BTW provides its services in Poland and abroad.

The parent company of the highest level is the Spanish company COMSA S.A. which prepares the consolidated financial statement that also includes data of Trakcja Group.

3. Changes in Capital Group

In the first half of year 2016 there were no changes in the organizational structure of the Trakcja Capital Group.

4. Composition of the Parent Company's Management Board

The Company's Management Board as of June 30, 2016 was composed of the following persons:

- Jarosław Tomaszewski - President of the Board;
- Nerijus Eidukevičius - Vice President of the Board;
- Marek Kacprzak - Vice President of the Board;
- Paweł Nogalski - Vice President of the Board;
- Sławomir Raczyński - Vice President of the Board.

No changes in the composition of the Management Board occurred in the I half year 2016 and after the balance sheet date.

5. Composition of the Parent Company's Supervisory Board

The Company's Supervisory Board on June 30, 2016 was composed of the following persons:

- Dominik Radziwiłł - Supervisory Board member;
- Łukasz Rozdeiczer-Kryszkowski - Supervisory Board member;
- Michał Hulbój - Supervisory Board member;
- Wojciech Napiórkowski - Supervisory Board member;
- Miquel Llevat Vallespinosa - Supervisory Board member;
- Jorge Miarnau Montserrat - Supervisory Board member;
- Fernando Perea Samarra - Supervisory Board member.

Due to expiry of the term of office of the Trakcja PRKiI S.A.'s Supervisory Board in the reporting period from 1 January 2016 until 30 June 2016, the composition of the Supervisory Board changed. In accordance with its power specified in the Company Statutes (Articles of Association), COMSA SA made a statement dated 6 June 2016 on the appointment of four members of the Supervisory Board. Afterwards, on 16 June 2016, the Annual General Meeting of Trakcja PRKiI S.A., appointed by resolutions Nos. 24-26 three members of the Supervisory Board. All the newly elected seven-person Supervisory Board was appointed for a new joint three-year term, which began upon the date of the Annual General Meeting. Six of the above-mentioned members of the new Supervisory Board were previously members of the Supervisory Board of Trakcja PRKiI S.A., except Mr. Łukasz Rozdeiczer – Kryszkowski who was appointed to the Supervisory Board of Trakcja PRKiI S.A. for the first time by the resolution of the Annual General Meeting of Trakcja PRKiI S.A. dated 16 June 2016.

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

6. Approval of the consolidated financial statements

These consolidated financial statements were approved for publication by the Management Board on August 30, 2016.

7. Basis for drawing up the consolidated financial statements

The annual consolidated financial statements have been prepared according to historical cost principle except for the derivative financial instruments, investment property and assets held for sale, which are estimated according to fair value.

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

The consolidated financial statement has been prepared with the assumption of continuity of the Group's operations in the foreseeable future. As of the day of approval of these annual consolidated financial statements there are no circumstances indicating that any threat to this continuity exists.

8. Statement of compliance

These condensed consolidated financial statements have been prepared according to the International Financial Reporting Standards ("IFRS"), approved by the European Union and applicable to interim reporting (IAS 34 "Interim Financial Reporting").

The condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements and they should be read jointly with the Group's consolidated financial statements for the year ended on December 31, 2015.

Measurement currency and currency of the financial statements

The measurement currency of the Parent Company and most of the companies and the reporting currency of these interim condensed consolidated financial statements is the Polish zloty. The measuring currency of the companies seated in Lithuania is euro (EUR), of the company seated in Sweden is Swedish Krona (SEK), of the AB Kauno Tiltai branch in Belarus is the Belarusian ruble (BYR) and in Bulgaria is the lev (BGN).

9. Significant values based on professional judgment and estimates

A detailed description of the essential values based on professional judgment and estimates are presented in note 7 in the annual consolidated financial statement of Trakcja Group 2015. In the first half of 2016 years there were no significant changes in accounting estimates, assumptions and judgments of management that were subject to verification on reporting date June 30, 2016.

The professional judgment of the management, basic assumptions referring to the future and other key sources of uncertainties that are present at the balance sheet date – related with risk of significant adjustment of balance sheet value of assets and liabilities in the following fiscal year.

9.1. Professional judgment

Fair value of financial instruments

Fair values of the financial instruments for which active market does not exist, are estimated by use of appropriate valuation methods. When selecting the right methods and assumptions, the Group follows the professional judgment. Assumptions that were taken for this purpose are presented in Note no. 48 to Additional information and explanations to the Consolidated financial statements for the year ended December 31, 2015.

In the first half of 2016 the Group did not change the valuation method of financial instruments measured at fair value. The carrying amount of financial assets and liabilities approximates their fair value.

Classification of lease agreements

The Group classifies leasing as operational or financial, based on an assessment of the scope in which risk and benefits - arising from 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 is presented in Notes no. 9.3.4, 43 and 44 to the Consolidated financial statements for the year ended December 31, 2015.

Investment property

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

Goodwill allocation to cash generating units

Pursuant to IAS 36, goodwill is allocated to cash generating units. The Group performs an assessment connected with allocation of goodwill to relevant units that generate cash flow.

Classification of joint arrangements

The Group determines whether it has joint control and determine the type of joint contractual arrangement in which it is involved by assessing its rights and obligations arising from the joint agreement and by taking into account the structure and legal form of the joint arrangement and conditions agreed upon by the parties. The Group classified the investment in the company Bahn Technik Wrocław Sp. z o.o. as a joint venture in accordance with IFRS 11.

Control over related parties

The Parent Company performs control over related parties if - because of its involvement in them - has exposure to variable returns or if has rights of variable returns and if can influence these returns by exercising power over these parties. The Company’s management board determines that control over individual parties is performed on the basis of the following elements:

Trakcja PRKiI is the owner of 100% of share capital of PRK 7 Nieruchomości Sp. z o. o. and performs control over this subsidiary. Trakcja PRKiI company has become the owner of PRK 7 Nieruchomości by merging Trakcja S.A. company with PRK 7 S.A. company which was the owner of PRK 7 Nieruchomości Sp. z o.o.

Trakcja PRKiI is the owner of 82,35% of share capital of Torprojekt Sp. z o. o. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of Torprojekt Sp. z o.o. by acquisition of shares.

Trakcja PRKiI is the owner of 99,70% of share capital of PEUiM Sp. z o. o. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of PEUiM Sp. z o.o. by acquisition of shares.

Trakcja PRKiI is the owner of 100% of share capital of Dalba Sp. z o. o. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of Dalba Sp. z o.o. by acquisition of shares.

Trakcja PRKiI is the owner of 94,62% of share capital of PDM Białystok S.A. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of PDM Białystok S.A. by acquisition of shares.

Trakcja PRKiI is the owner of 98,09% of share capital of AB Kauno Tiltai and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of AB Kauno Tiltai by acquiring shares of AB Kauno Tiltai which itself is the Parent company of the AB Kauno Tiltai Group.

The composition of this Group and percentage of the shares owned was presented in Note 2 of Additional information and explanations this financial statement.

9.2. Uncertainty of estimates

Revenues recognition

The income from an uncompleted construction service within the period from the date of contract conclusion until the balance sheet date - net the income which affected the financial result in the previous reporting periods - is to be determined in proportion to its progress, if the progress can be measured reliably. The Group's companies measure the progress of the service using the method of share of the costs incurred from the date of concluding the contract to the date of setting the income in the total costs of the service. The amount of incomes on sale in case of contracts concluded in foreign currency depends on the directions of shaping the currency exchange rate.

Provisions for correction works

The provisions for correction works were estimated based on the knowledge of individual construction sites managers concerning necessity or possibility of performing additional works for the Ordering Party aiming at fulfillment of the guarantee obligations. Largest companies in the Trakcja Group are required to provide a guarantee for their services. The amount of the provision 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 the provisions. The change of the provision for correction works was presented in Note 35.

Provisions for contractual penalties

The Group recognizes provisions for contractual penalties on executed contracts as value possible and probable to incur. Provisions are created based on the documentation from the course of the contract and on the opinion of lawyers who participate in discussions held and who estimate possible future liabilities of the Group based on the course of discussions.

Deferred tax assets

The Group recognizes a deferred tax asset based on the assumption that tax profit will be achieved in the future and this tax profit can be utilized. Deterioration of the obtained tax results in the future could cause that such assumption would be unjustified. The Management Board of the Parent entity verifies adopted estimations concerning probability of recovering deferred tax assets on the basis of changes of factors taken into account, new information, and past experience. Probability of realizing the deferred tax asset with future tax profits is based on the budgets of the Group’s companies. The Group’s companies recognized in the books the deferred tax asset up to the amount to which it is probable that they will generate taxable profit that will allow offsetting negative temporary differences. The Group’s companies which historically generated losses and whose financial projections do not foresee generating taxable profit that would allow to offset negative temporary differences, do not recognize deferred tax asset in their books. The change of deferred tax asset and of provision concerning such asset were presented in Note no. 19.

Depreciation rates

The amount of depreciation rates is set based on the expected period of economic usability of material components of fixed assets and intangible property. The Group every year performs verification of the adopted periods of economical usability on the basis of current estimations. In the first half of year 2016 there were no relevant changes in depreciation rates applied by the Group.

Investment property

Investment property are valued at fair value. Valuations of investment property are prepared by independent experts with qualifications to perform such valuations. The selection of the approach and the method is driven by principles defined in IFRS 13, 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. To calculate fair value of investment property, valuation techniques that maximize use of observable data are used. As of June 30, 2016 there were no prerequisites indicating the possibility of change of value of investment property. Therefore the Group did not make any valuation referring to that day.

Impairment tests

Pursuant to IAS 36, at the balance sheet date the Management Board of the Parent Company performs annual impairment tests for cash generating units to which the goodwill was assigned. These tests require estimation of utility value of cash generating units (“CGU”) on the basis of the future cash flows generated by these CGU. These future cash flows are then adjusted to present value. As at June 30, 2016 there were no prerequisites that show possibility of losing value by the CGU. Therefore the Group did not perform impairment tests. The change of impairment of the company's value was presented in Note 41.

Impairment of financial assets

When assessing whether the financial assets have not lost their value, the available and commonly applied methods of valuation were used and the Group's financial cash flows forecasts referring to the possessed assets were considered.

Impairment of inventory

The Management Board assesses whether exist prerequisites indicating a possibility of an impairment of inventory in accordance with note 9.12 to the Additional information and explanations in the consolidated financial statements for year 2015. Stating an impairment requires estimation of the net values possible to obtain for inventory which lost its utility attributes or usability. The change of the write-down of inventory was presented in Note no. 41.

Write-down of trade receivables and other receivables

The Management Board assesses whether exist prerequisites indicating a possibility of an impairment of trade receivables and other receivables. The value of receivables is revaluated by taking into account the level of probability of their payment which is done through performing a write-down. The value of the write-down depends on the probability of payment of the receivables and on the detailed analysis of significant items comprising the receivables. Depending on the type of client and the source of receivable, assessment of the probability of recovery of the receivable is performed based on the individual analysis of certain balances or based on the statistical repayment indicators estimated for individual age groups of receivables. Repayment indicators are defined on the basis of the observed repayment history and the client behavior and by considering also other factors which in the Management Board's opinion can affect recoverability of current receivables. The change of the write-down of trade receivables and other receivables was presented in Note no. 41.

Valuation of fair value and procedures related with valuation

Some assets and liabilities are valued at fair value for the purpose of the financial reporting. In valuation of fair value of assets and liabilities the Group uses in the maximum possible scope the observable data. Detailed information of the items valued at fair value was presented in Notes no. 38 and 39.

Information on valuation techniques and input data used for valuation of fair value of individual assets and liabilities are disclosed in Notes no. 23, 41 and 48 to the Additional information and explanations in the consolidated financial statements for year 2015.

10. Accounting principles

These condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, which are applicable to annual periods beginning from January 1, 2016 to June 30, 2016 as adopted by the European Union.

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

The accounting principles (policy) applied to draw up these condensed consolidated financial statements for the I half of the year 2016 are consistent with those accounting principles that were used to draw up the consolidated financial statements for the financial year ended December 31, 2015, except for the changes described below.

10.1. Selected accounting principles

A detailed description of the accounting principles adopted by the Group is presented in its consolidated financial statements for the financial year ended December 31, 2015, published on March 21, 2016.

Conversion of items denominated in foreign currency

Functional currency for entities running business in the territory of Poland is the Polish zloty, for entities operating in Lithuania is Euro while the currency of AB Kauno Tiltai Sverige company with seat in Sweden is the Swedish crown

(data in PLN 000s, unless stated otherwise)

(SEK) and entities of AB Kauno Tiltai branch in Belarus is Belarusian ruble (BYR), the Trakcja PRKiI S.A. facility in Bulgaria is lev (BGN).

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

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

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

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

Exchange rate on the reporting date	**30.06.2016**	**31.12.2015**
PLN/USD	3,9803	3,9011
PLN/EUR	4,4255	4,2615
PLN/SEK	0,4696	0,4646
PLN/BYR	0,0002	0,0002
PLN/BGN	2,2627	-

The average exchange rate, calculated as the arithmetic average of the rates prevailing on the last day of each month during the period:	**30.06.2016**
PLN/USD	3,9167
PLN/EUR	4,3694
PLN/SEK	0,4698
PLN/BYR	0,0002
PLN/BGN	2,2202

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

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

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

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

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

Consolidation rules

The condensed consolidated financial statements include the condensed financial statements of Trakcja PRKiI S.A. and condensed financial statements of the subsidiaries prepared as at June 30, 2016.

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

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

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

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

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

10.2. Standards and their changes which were accepted by IASB but not approved by EU

In the condensed consolidated financial statement, the Group have not taken the decision yet on early application of published standards and interpretations before they come into force.

At the moment, the IFRS in the shape approved by the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the below standards and amendments to standards, which as of 16 May 2016, have not yet been approved for application:

- *IFRS 9 Financial Instruments*

The new standard was issued on 24 July 2014 and applies to annual periods beginning on or after 1 January 2018. The purpose of the standard is to clarify the classification of financial assets and to introduce uniform rules on the approach to the assessment of impairment in regard to all financial instruments. The standard also introduces a new model of hedge accounting in order to unify the rules of including risk-management information in financial statements.

The Group shall apply the new standard from 1 January 2018.

As of the preparation of these financial statements, it was not possible to reliably estimate the impact of application of the new standard.

- *IFRS 14 Regulatory Deferral Accounts*

The new standard was issued on 30 January 2014 and applies to annual periods beginning on or after 1 January 2016. The European Commission decided not to approve this temporary standard for application in the EU until its final version has been issued. This standard is designed to allow entities adopting the IFRS for the first time, which currently recognise the regulatory deferral accounts in accordance with the previously generally adopted accounting principles, to continue recognising such accounts after the election to adopt the IFRS.

IFRS 14 Regulatory Deferral Accounts do not apply for the to the Group's operations.

- *IFRS 15 Revenue from Contracts with Customers*

The new consolidated standard was issued on 28 May 2014 and applies to annual periods beginning on or after 1 January 2018 (on 11 September 2015 the IASB deferred the effective date of the IFRS 15 to 1 January 2018 and on 12 April 2016 the IASB provided clarifications to this standard). IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and numerous interpretations regarding the recognition of revenue. The standard applies to almost all contracts with customers (except for leases, financial instruments and insurance contracts). The core principle of the new standard is that an entity will recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration (i.e. payment) to which the entity expects to be entitled in exchange for those goods or services. The standard also provides guidance on the recognition of transactions that have not been regulated in detail by the previous standards (e.g. revenue from services or contract modifications), as well as more detailed clarifications on the recognition of contracts with multiple performance obligations.

The Group shall apply the new standard from 1 January 2018.

As of the preparation of these financial statements, it was not possible to reliably estimate the impact of application of the new standard. The Group is in the process of analysing the effects of implementing the new standard.

- *IFRS 16 Leases*

The standard was issued by the IASB on 13 January 2016 and applies to annual periods beginning on or after 1 January 2019. According to IFRS 16, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is measured similarly to other non-financial assets and it is depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use the incremental borrowing rate. Lessors classify each lease, just like under IAS 17, namely as an operating lease or a finance lease. A lease is classified by a lessor as a finance lease, if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. A lessor recognises finance income over the lease term of a finance lease, based on a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The Group shall apply the new standard from 1 January 2019.

As of the preparation of these financial statements, it was not possible to reliably estimate the impact of application of the amended standards. The Group is in the process of analysing the effects of implementing the new standard.

- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associated Entities and* Joint Ventures: Sales or Contributions of Assets between an Investor and its Associate/Joint Venture

Amendments to IFRS 10 and IAS 28 were issued on 11 September 2014 (on 17 December 2015 the IASB deferred the effective date of these amendments). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

The Group shall apply the amended standards once they have been approved for application in the EU.

As of the preparation of these financial statements, it was not possible to reliably estimate the impact of application of the amended standards.

- *Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities* and IAS 28 Investments in Associated Entities and Joint Ventures

Investment Entities: Applying the Consolidation Exception was issued by the IASB on 18 December 2014. The amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications on the accounting for investment entities. The amendments provide also, in certain circumstances, exemptions in that respect. The amendments apply mostly to annual periods beginning on or after 1 January 2016.

The Group shall apply the new standard once it has been approved for application in the EU.

- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

The amendments were issued by the IASB on 29 January 2016 and apply to annual periods beginning on or after 1 January 2017. The scope of amendments clarifying IAS 7 is to improve information provided to users of financial statements about an entity's financing activities. The amendments require that an entity provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from both cash and non-cash flows.

The Group shall apply the amended standards from 1 January 2017.

The application of the amended standard shall have no significant impact on the Group's financial statements.

- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments were issued by the IASB on 19 January 2016 and apply to annual periods beginning on or after 1 January 2017. The amendments to IAS 12 clarify the recognition of deferred tax assets that are related to debt instruments measured at fair value.

The Group shall apply the amended standards from 1 January 2017.

The application of the amended standard shall have no significant impact on the Group's financial statements.

Simultaneously, the hedge accounting for a portfolio of financial assets or liabilities, whose principles has not been approved for application in the EU, continue to remain outside the regulations approved for application in the EU.

The Entity estimates that the application of hedge accounting to a portfolio of financial assets or liabilities under IAS 39 Financial Instruments: Recognition and Measurement would not have a significant impact on the financial statements, if such principles were adopted as of the balance sheet date.

Amendments to the existing standards that have already been issued by the IASB and approved for application to the EU, but have not yet become effective

As of the approval of these financial statements, there were no amendments made to the existing standards that had been issued by the IASB and approved for application in the EU, but had not yet become effective.

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

Amendments to standards and interpretations applied for the first time in 2016

The following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and approved for application in the EU shall be applied for the first time to the financial statements of the Group for 2016:

- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2010-2012)

On 12 December 2013, further amendments to seven standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) were issued, which aimed primarily at eliminating any inconsistencies and clarifying the terminology thereof. They were approved for application in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IAS 19 Employee Benefits

The amendments were issued on 21 November 2013, approved for application in the EU on 17 December 2014 and apply to annual periods beginning on or after 1 February 2015. The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (for example, employee contributions that are calculated according to a fixed percentage of salary).

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IFRS 11 Joint Arrangements

The amendments to IFRS 11 were issued on 6 May 2014, approved for application in the EU on 24 November 2015 and apply to annual periods beginning on or after 1 January 2016. The amendments provide new guidelines on the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IAS 1: Presentation of Financial Statements – Disclosure Initiative

On 18 December 2014, under a large initiative aiming at exploring ways of improving the presentation and disclosures in financial reports, amendments to IAS 1 were issued, which were approved for application in the EU on 18 December 2015 and which apply to annual periods beginning on or after 1 January 2016. These amendments are to serve for further encouragement to entities to use professional judgement in determining information to be disclosed in their financial statements. Changes further specify that the significance concerns all financial statements and that inclusion of insignificant information may reduce the usability of strict financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in defining the place and sequence of presenting information when disclosing financial information.

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2012-2014)

On 25 September 2014, further amendments to four standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) were issued, which aimed primarily at eliminating any inconsistencies and clarifying the terminology thereof. They were approved for application in the EU on 15 December 2015 and apply to annual periods beginning on or after 1 January 2016.

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were issued on 12 May 2014, approved for application in the EU on 2 December 2015 and apply to annual periods beginning on or after 1 January 2016. The amendments clarify that depreciation methods based on revenue are not appropriate, because revenue generated from the operation of the business, of which an asset is part, in general reflects factors other than consumption of economic benefits that arise from a given asset. The amendments clarify also that a revenue-based method is not considered to be an appropriate manifestation of consumption of economic benefits that arise from a given intangible asset. There are, however, limited circumstances when certain exceptions to this principle can be applied.

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements

The amendments to IAS 27 were issued on 12 August 2014, approved for application in the EU on 18 December 2015 and apply to annual periods beginning on or after 1 January 2016. The amendments are designed to reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Agriculture: Bearer Plants

The amendments were issued by the IASB on 30 June 2014 and apply to annual periods beginning on or after 1 January 2016. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.

IAS 41 Agriculture: Bearer Plants does not apply to the activities of the Group.

Changes introduced voluntarily by the Group

In the period covered by the summary consolidated financial statements for the first half-year of 2016, no changes were made to the principles of accounting and preparing financial statements in comparison to those disclosed in the consolidated statements of the Group for 2015 published on March 21, 2016.

During the first half of 2016, the Group made adjustments to the balance sheet relating to the presentation of the asset and provision for deferred income tax. The change is related to compensation of the asset and the provision for deferred income tax. The Management Board believes such presentation more reliably presents balance sheet items. In the approved annual consolidated financial statements for the 12-months period that ended on December 31, 2015, the Group presented the asset and the provision in full amount. In accordance with the adopted modification, the Group in these interim consolidated financial statements presented the above-mentioned modification, thereby reducing the balance sheet total by PLN 21,064 thousand. In the period under analysis the impact of the compensation was PLN 37,085 thousand. The table below presents the effect of the modification in the balance sheet as of December 31, 2015.

(data in PLN 000s, unless stated otherwise)

ASSETS	31.12.2015	Netting deferred tax assets and liabilities	31.12.2015
	Published		Modified
Non-current assets	**704 278**	**(21 064)**	**683 214**
Deferred tax assets	30 779	(21 064)	9 715
Current assets	**623 143**		**623 143**
Total assets	**1 327 421**	**(21 064)**	**1 306 357**
Equity and liabilities			
Equity attributable to shareholders of parent entity	**722 341**		**722 341**
Non-controlling interests	**3 950**		**3 950**
Total equity	**726 291**		**726 291**
Long-term liabilities	**141 974**	**(21 064)**	**120 910**
Deferred tax liabilities	26 613	(21 064)	5 549
Short-term liabilities	**459 156**		**459 156**
Total equity and liabilities	**1 327 421**	**(21 064)**	**1 306 357**

11. Concise description of significant achievements or failures during the I half of the year 2016

Trakcja Group achieved in the reporting period a profit of PLN 18,663 thousand. Striving for increased efficiency and effectiveness and optimization of project management internal procedures enabled the Group to achieve a gross margin on sales of 11.8%.

The significant achievements of the Group during the six months ended June 30, 2016 include:

- maintaining the gross margin on sales at a similar level to the comparative period.
- providing access to credit financing: as at June 30, 2016 the Group companies had overdraft and revolving credit limit equalling to the total amount of PLN 188 million.
- ensuring the guarantee lines availability at the level of PLN 809 million (value at June 30, 2016).
- continuing the development of IT tolls supporting processes in the Parent company.

12. The type and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual due to their nature, size or incidence

In the opinion of the Board, during the 6 months ended June 30, 2016 besides the factors described in other notes in the statement, there were no other significant events that may affect the assessment of the financial position of Trakcja Group. The main influence on the results achieved in the I half of 2016 had contracts carried out by the Group.

13. Information on operational and geographical segments

Description of the segments is presented in the annual consolidated financial statements for the year 2015.

Main customers:

In the I half of 2016 revenues from transactions with external single customer accounted for 10% or more of the total revenues. The table below presents the total amount of revenue from each customer segment of this type and indicates to which segments these revenues relate to:

Total revenue obtained in 2016 by a single recipient (TPLN)	Segments presenting the revenues
223 131	Civic building segment - Poland
87 558	Construction , engineering and concession contracts - Baltic countries

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

(data in PLN 000s, unless stated otherwise)

Operational segments

For the period from 1.01.2016 to 30.06.2016 *Unaudited*	**Continued operations**						
	Civic building - Poland	**Construction, engineering and concession contracts - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues							
Sales to external customers	278 176	200 227	426	478 829	-	-	478 829
Sales between segments	3	-	-	3	-	(3)	-
Total segment revenues	**278 180**	**200 227**	**426**	**478 833**	**-**	**(3)**	**478 829**
Results							
Depreciation	6 941	4 437	43	11 421	-	-	11 421
Share of profit (losses) of joint venture	(684)	-	-	(684)	-	-	(684)
Financial income - interests	328	1 869	21	2 218	-	-	2 218
Financial expenses - interests	1 185	1 502	6	2 693	-	-	2 693
Gross profit	**22 992**	**23 092**	**(346)**	**45 738**	**-**	**(23 220)**	**22 518**

For the period from 1.01.2015 to 30.06.2015 *Unaudited*	**Continued operations**						
	Civic building - Poland	**Construction, engineering and concession contracts - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Sales to external customers							
Sales between segments	369 164	185 609	9 999	564 772	-	-	564 772
Total segment revenues	4	-	-	4	-	(4)	-
Total segment revenues	**369 168**	**185 609**	**9 999**	**564 776**	**-**	**(4)**	**564 772**
Results							
Depreciation	8 024	4 166	40	12 230	-	-	12 230
Share of profit (losses) of joint venture	(89)	-	-	(89)	-	-	(89)
Financial revenues - interests	641	2 856	34	3 531	-	-	3 531
Financial expenses - interests	2 570	1 140	2	3 712	-	-	3 712
Gross profit	**25 731**	**10 476**	**1 488**	**37 695**	**-**	**(15 566)**	**22 129**

(data in PLN 000s, unless stated otherwise)

As at 30.06.2016 *Unaudited*	**Continued operations**						
	Civic building - Poland	**Construction, engineering and concession contracts - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	**662 704**	**734 373**	**49 761**	**1 446 838**	**-**	**(121 588)**	**1 325 250**
Assets not allocated to segments							9 679
Total assests							**1 334 929**
Segment liabilities	**250 799**	**249 614**	**13 259**	**513 672**	**-**	**(37 241)**	**476 431**
Other disclosures:							
Capital expenditure	(5 825)	(6 194)	-	(12 019)	-	-	(12 019)
Impairment of non-financial assets	(1 055)	-	-	(1 055)	-	-	(1 055)
Investments in joint ventures	13 454	-	-	13 454	-	-	13 454

As at 31.12.2015 *Modified*	**Continued operations**						
	Civic building - Poland	**Construction, engineering and concession contracts - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	**680 874**	**707 032**	**44 306**	**1 432 212**	**-**	**(135 570)**	**1 296 642**
Assets not allocated to segments							9 715
Total assests							**1 306 357**
Segment liabilities	**270 972**	**227 760**	**5 545**	**504 277**		**(45 121)**	**459 156**
Other disclosures:							
Capital expenditure	(22 397)	(17 671)	(89)	(40 157)	-	-	(40 157)
Impairment of non-financial assets	(15 699)	-	-	(15 699)	-	-	(15 699)
Investments in joint ventures	14 140	-	-	14 140	-	-	14 140

(data in PLN 000s, unless stated otherwise)

Geographical segments

Data for geographical segments have been presented below.

For the period from 1.01.2016 to 30.06.2016 *Unaudited*	**Continued operations**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues						
Sales to external customers	278 603	200 227	478 829	-	-	478 829
Sales between segments	3	-	3	-	(3)	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	**278 605**	**200 227**	**478 833**	**-**	**(3)**	**478 829**

For the period from 1.01.2015 to 30.06.2015 *Unaudited*	**Działalność kontynuowana**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues						
Sales to external customers	379 164	185 609	564 772	-	-	564 772
Sales between segments	4	-	4	-	(4)	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	**379 167**	**185 609**	**564 777**	**-**	**(4)**	**564 772**

As at 30.06.2016 *Unaudited*	**Continued operations**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	712 524	734 314	1 446 838	-	(121 588)	1 325 250
Operating liabilities	281 747	231 925	513 672	-	(37 241)	476 431

As at 31.12.2015 *Modified*	**Continued operations**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	725 243	706 968	1 432 211	-	(135 569)	1 296 642
Operating liabilities	293 607	210 670	504 277	-	(45 121)	459 156

(data in PLN 000s, unless stated otherwise)

14. Sales revenue

	Financial year ended	
	1.01.2016 - 30.06.2016	**1.01.2015 - 30.06.2015**
	Unaudited	*Unaudited*
Sales revenues		
Revenues from sale of construction services	470 794	543 745
Revenues from sale of goods and materials	1 408	1 080
Revenues from sale of other products and services	6 627	19 947
Total	**478 829**	**564 772**

In the first half of 2016 the Group recorded decreased income compared to the same period of 2015. The main reason for the decrease in Group's income is the reduction in income of the Parent Company due to the delay of investments that were to occur in the previous and current EU financial framework. This resulted in delays in calling for tenders by PKP PLK for the construction of railway infrastructure.

15. Other operating income

	1.01.2016 - 30.06.2016	**1.01.2015 - 30.06.2015**
	Unaudited	*Unaudited*
Reversal of provisions, including:	705	33
- other	705	33
Other, including:	3 979	1 831
- received penalties and fines	214	328
- reimbursed costs of litigation proceedings	-	77
- inventory surplus	-	86
- redeemed l iabilities	82	266
- profit on sale of non-financial non-current assets	2 630	606
- reimbursed costs from tenders in Denmark	571	-
- overpaid social security contributions	245	-
- other	237	468
Total	**4 684**	**1 864**

16. Other operating costs

	1.01.2016 - 30.06.2016	**1.01.2015 - 30.06.2015**
	Unaudited	*Unaudited*
Created of provisions, including:	-	815
- for litigation	-	700
- other	-	115
Other, including:	2 613	2 821
paid penalties, fines, compensations	122	209
- litigation costs paid	4	-
- donations made	1 938	1 955
- inventory shortages of stocks	-	-
- liquidation value of non-financial assets	321	-
- receivables write-off	43	-
- other	185	657
Total	**2 613**	**3 636**

(data in PLN 000s, unless stated otherwise)

In the first half of 2016, the Group transferred donations for charity and sports activities in the total amount of 1,938 thousand PLN.

17. Financial income

	1.01.2016 - 30.06.2016	**1.01.2015 - 30.06.2015**
	Unaudited	*Unaudited*
Financial revenues from interest, including:	2 218	3 531
- bank interests	367	410
- interest on receivables	5	296
- interests on released provisions for Interests on liabilities	-	135
- loan interests	-	13
- other	26	9
- discount	1 820	2 668
Profit from exchange rate differences	-	558
Financial revenue due to reversal of provision for financial liability	-	441
Commissions on guarantee costs	52	-
Other financial revenue	7	14
Total	**2 277**	**4 544**

In the first half of 2016, the Group recognized the income from discount amounting to 1,820 thousand PLN, concerning a component of financial assets under a concession-based contract.

18. Financial costs

	1.01.2016 - 30.06.2016	**1.01.2015 - 30.06.2015**
	Unaudited	*Unaudited*
Financial costs on account of interest, including:	2 693	3 712
- interest on loans and borrowings	1 578	1 480
- on liabilities	40	13
- on factoring	-	417
- on bonds	-	951
- on leasing	777	666
- other	298	185
Loss on exchange rate differences	1 049	-
The creation of reserves for financial liabilities	-	234
Commission paid financial	783	846
Financial expenses from revaluation of bonds	-	83
Costs arising from factoring services	101	520
Commission fee expenses relating to advance payment guarantee	281	455
Other financial cost	36	145
Total	**4 943**	**5 995**

As regards the repayment of bonds in 2015, the Group in the first half of 2016 did not incur costs interest on bonds, in the comparable period of 2015 they amounted to 951 thousand PLN.

(data in PLN 000s, unless stated otherwise)

19. Income tax

	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
	Unaudited	*Unaudited*
Current income tax:	**4 192**	**4 566**
- current income tax charge	4 122	4 566
- adjustments related to current income tax from previous years	70	-
Deferred tax:	**(337)**	**(529)**
- related to increase and decrease in temporary differences	(337)	(529)
Total	**3 855**	**4 037**

A part of income tax was determined according to the rate of 19% for the corporate income tax base for legal persons operating in the territory of Poland. For foreign companies - belonging to the AB Kauno Tiltai Capital Group – with seat in Lithuania or in Latvia, the tax rate is 15% while for the company AB Kauno Tiltai Sverige with seat in Sweden the tax rate is 22%.

	Balanse scheet		Consolidated statement of total comprehensive income for the period of 6 months ended 30.06.2016
	30.06.2016	31.12.2015	
	Unaudited	*Modified*	
Deffered tax asstes	46 764	30 779	15 985
Deferred tax liabilities	42 132	26 613	(15 519)
The value of offsetting of deferred tax assets and deferred tax liabilities	(37 085)	(21 064)	
Offset by the deferred tax asset	**9 679**	**9 715**	
Offset by the deferred tax liability	**5 047**	**5 549**	
Change of deffered tax assets and liabilities			466
Including:			
- through profit or loss			337
- through equity			206
- variances due to currency translation			(77)

(data in PLN 000s, unless stated otherwise)

Income tax recognized in other comprehensive income

	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
	Unaudited	*Unaudited*
Actuarial gains/(losses)		
Gross amount	682	(1 129)
Tax	(137)	207
Net amount	**545**	**(922)**
Cash flow hedging instruments		
Gross amount	(2 229)	1 119
Tax	334	(168)
Net amount	**(1 895)**	**951**
Foreign exchange differences on translation of foreign operations		
Gross amount	11 536	(4 592)
Tax	-	-
Net amount	**11 536**	**(4 592)**

20. Property, plant and equipment

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Fixed assets, including:	187 598	184 040
- land (including right of perpetual usufruct)	22 917	23 004
- buildings, premises, civil and water engineering structures	16 430	17 472
- technical equipment and machines	70 989	72 104
- vehicles	64 114	61 663
- other fixed assets	13 148	9 797
Fixed assets under construction	12 877	10 192
Total	**200 475**	**194 232**

21. Purchase and sale contracts of property, plant and equipment and other intangible assets and commitments to purchase of property, plant and equipment

In the period from January 1 to June 30, 2016, the Group acquired tangible non-current assets and intangible assets in the total amount of PLN 15,550 thousand (for the comparable period: PLN 20,151 thousand).

In the period from January 1 to June 30, 2016, the Group sold its tangible non-current assets and intangible assets in the total book value of PLN 1,311 thousand (for the comparable period: PLN 1,572 thousand).

At the end of the period ended June 30, 2016, as well as at the end of the period ended December 31, 2015, there were no significant commitments to purchase tangible fixed assets.

22. Goodwill

The Group shows as at June 30, 2015 in the consolidated financial statements goodwill of a total value of PLN 389,838 thousand (31.12.2015: PLN 383,450 thousand) which was included in the following balance sheet items:

- goodwill from consolidation - PLN 341,106 thousand (31.12.2015: PLN 334,718 thousand);
- intangible assets - PLN 48,732 thousand (31.12.2015: PLN 48,732 thousand).

(data in PLN 000s, unless stated otherwise)

Goodwill from consolidation

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Goodwill at cost	390 839	384 451
Acumulated impairment	(49 733)	(49 733)
Goodwill after all write-offs	**341 106**	**334 718**

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Balance at the beginning of the period	**334 718**	**342 265**
Increase	**-**	**4 780**
Transfer from intangible assets	-	4 780
Decreases	**-**	**(12 302)**
Impairment charged to P&L during the year	-	(12 302)
Exchange rate differences	**6 388**	**(25)**
Balance at the end of the period	**341 106**	**334 718**

Allocation of goodwill to cash-generating units (CGUs) before recognition of write-downs for impairment

For purposes of impairment test as at June 30, 2016 goodwill was allocated to the following CGUs:

As at 30.06.2016	CGU: Trakcja PRKiI S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Grupy AB Kauno Tiltai	CGU: PRK7 Nieruchomości	Total
Goodwill allocated after recognition of impairment	**49 554**	**49 540**	**285 964**	**4 780**	**389 838**
recognized in goodwill on consolidation	822	49 540	285 964	4 780	341 106
recognized in intangible assets	48 732	-	-	-	48 732

As at 31.12.2015	CGU: Trakcja PRKiI S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Grupy AB Kauno Tiltai	CGU: PRK7 Nieruchomości	Total
Goodwill allocated after recognition of impairment	**49 554**	**49 540**	**279 576**	**4 780**	**383 450**
recognized in goodwill on consolidation	822	49 540	279 576	4 780	334 718
recognized in intangible assets	48 732	-	-	-	48 732

Impairment test

As at June 30, 2016 there were no prerequisites indicating possibility of impairment of CGUs. Therefore the Group did not perform any test on that date.

(data in PLN 000s, unless stated otherwise)

23. Investment property

	30.06.2016	31.12.2015
	Unaudited	*Modified*
As at start of period (by type groups) - net value:	**21 976**	**22 960**
- land	18 920	19 904
- buildings, premises, civil and water engineering structures	3 056	3 056
Increases:	**13**	**-**
- land	13	-
- variations due to currency translation	13	-
Decreases	**-**	**(984)**
- land	-	(984)
- revaluation	-	(983)
- variations due to currency translation	-	(1)
As at end of period (by type groups) - net value:	**21 989**	**21 976**
- land	18 933	18 920
- buildings, premises, civil and water engineering structures	3 056	3 056

Investment property is measured by the Group at fair value. The Group estimates the value of the investment property as at December 31 on the basis of a valuation carried out on that date by an independent appraiser. In the course of the year at subsequent balance sheet dates i.e. March 31, June 30 and September 30, the Group performs analysis of prerequisites of the possibility of changes in fair value.

The most recent valuation by an appraiser value of investment property was made on 31 December 2015. On June 30, 2016 the Group has not identified the existence of indications of significant change in the value of investment property. The description of valuation techniques, unobservable inputs used in the valuation and descriptive presentation of the sensitivity of fair valuation to changes in unobservable inputs were described in Note 23 of the Consolidated Annual Financial Statements of Trakcja Group for the year 2015. In the I half of 2016 there has been no change in the valuation technique of fair value.

The Group classifies its investment property at level 3 of fair value hierarchy. In the I half of 2016 there were no transfers between levels 1, 2 and 3.

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

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Balance at the beginning of the period (Level 3)	**21 976**	**22 960**
Purchase of investment property	-	-
Gains (losses) recognized in the profit and loss account	-	(983)
FX differences	13	(1)
Balance at the end of the period (Level 3)	**21 989**	**21 976**
Unrealized gains (losses) for the period recognized in profit or loss (as other operating expenses)	-	(983)

(data in PLN 000s, unless stated otherwise)

24. Other financial assets

	30.06.2016	31.12.2015
	Unaudited	Modified
Financial assets held to maturity	**10 859**	**15 747**
Bank guarantees deposits	10 859	15 747
Loans granted and own receivables	**45 829**	**44 646**
Financial assets related to the concession agreement	45 829	44 646
Total	**56 688**	**60 394**
including:		
- recognised as non-current assets	46 948	45 564
- recognised as current assets	9 740	14 830

In in the first half of 2016, there was no impairment of individual components of financial assets.

Detailed information on the financial asset in respect of the concession agreement was presented by the Group presented in notes 9.24, 26 and 53 of the additional information and clarifications to the annual consolidated financial statements for the year 2015. The Group settles the above financial asset arising from the concession agreement in accordance with IFRIC 12.

25. Inventory

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Materials	65 636	47 785
Semi-finished goods and products in progress	30 865	22 802
Finished goods	1 332	490
Merchandise	14 943	14 945
Total, gross inventory	**112 776**	**86 022**
Inventory revaluation write-offs	**(1 931)**	**(1 194)**
Materials	63 754	46 639
Semi-finished goods and products in progress	25 936	22 802
Finished goods	1 304	463
Merchandise	19 851	14 924
Total, net inventory	**110 845**	**84 828**

(data in PLN 000s, unless stated otherwise)

26. Trade receivables and other receivables

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Gross trade receivables, before discounting	**416 282**	**237 011**
Discounting of receivables	-	-
Total, gross trade receivables	**416 282**	**237 011**
including:		
- receivables from related entities	295	194
Budgetary receivables	6 186	6 124
Receivables claimed in court	2 726	2 847
Other receivables from third parties	5 023	4 491
Receivables due to security deposits	5 620	240
Amounts held	23 877	16 223
Advances paid	1 273	1 589
Total, gross trade and other receivables	**460 987**	**268 526**
Receivables revaluation write-offs	(22 318)	(21 661)
Total	**438 669**	**246 864**

27. Cash and cash equivalent

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Cash in hand	166	124
Cash at bank	23 386	96 223
Other cash and cash equivalents - deposits	21 258	155 088
Total	**44 810**	**251 435**

(data in PLN 000s, unless stated otherwise)

28. Construction contracts

	30.06.2016	**31.12.2015**
	Unaudited	*Modified*
Surplus of invoiced revenues over revenues resulting from degree of advancement	50 073	64 780
Surplus of revenues resulting from degree of advancement over invoiced revenues	28 073	17 643
Advances paid towards contracts being performed	934	1 109
Advances received towards contracts being performed	3 041	1 560
Provision for anticipated losses on contracts	44 696	41 882
Recognised in balance sheet:		
in non-current assets		
Construction contracts	**3 263**	**2 527**
in current assets		
Construction contracts	**25 744**	**16 225**
in short-term liabilities		
Construction contracts	**97 810**	**108 223**

29. Equity

Share capital:

	30.06.2016	**31.12.2015**
	Unaudited	*Modified*
	Par value 0.8 PLN	Par value 0.8 PLN
Series A ordinary shares	51 399 548	51 399 548
Total	**51 399 548**	**51 399 548**

The share capital of the Parent Company amounts to PLN 41,119,638.40 and is divided into 51 399 548 shares with the nominal value of PLN 0.80 each which give the right to the same number of votes at the Company's Shareholder Meeting.

30. Non-controlling interest

	30.06.2016	**31.12.2015**
	Unaudited	*Modified*
As at start of period	**3 950**	**2 593**
Increases, including:	**98**	**1 719**
- total comprehensive income for the period	92	1 699
- changes in ownership interests in subsidiaries that do not result in loss of control	-	20
- other	6	-
Decreases, including:	**(582)**	**(362)**
- purchase of own shares by a subsidiary	(582)	(358)
- other	-	(4)
As at end of period	**3 466**	**3 950**

After the conducted analysis, the Management Board of the Parent Company decided that capital amounts allocated to non-controlling shares are not material, therefore these statements do not include any detailed information concerning non-controlling shares pursuant to IFRS 12.

(data in PLN 000s, unless stated otherwise)

31. Interest-bearing bank credits and loans

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

Company name	Lender	Type of loan/credit	Amount in agreement currency (in ths. PLN)	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	PKO BP S.A.	working capital	44 000	PLN	03.07.2016	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	mLeasing	investment	22 400	PLN	16.09.2019	WIBOR 1M + margin	15 431
Trakcja PRKiI S.A.	mBank S.A.	overdraft	20 000	PLN	28.04.2017	WIBOR O/N + margin	-
Trakcja PRKiI S.A.	mBank S.A.	working capital	50 000	PLN	28.04.2017	WIBOR 1M + margin	-
AB Kauno Tiltai	Nordea Dnb	working capital	14 000	EUR	31.08.2017	EURIBOR 3M + margin	5
AB Kauno Tiltai	Nordea	working capital	2 000	EUR	30.06.2017	EURIBOR 1M + margin	3 598
AB Kauno Tiltai	Dnb	working capital	2 000	EUR	30.06.2017	EURIBOR 3M + margin	3 638
AB Kauno Tiltai	Nordea Dnb	investment	3 339	EUR	01.04.2017	EURIBOR 3M + margin	7 399
AB Kauno Tiltai	Nordea Dnb	working capital	2 000	EUR	14.01.2020	EURIBOR 3M + margin	7 081
UAB Palangos aplinkkelis	SEB Bank	project purpose loans	8 500	EUR	31.05.2028	EURIBOR 3M + margin	36 178
UAB Pletros investicijos	Šiaulių plentas UAB	loan from other entities	363	EUR	31.12.2028	fixed interest rate	1 232
						Total	**74 562**

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

Interest-bearing long term bank credits and loans:

	30.06.2016	**31.12.2015**
	Unaudited	*Modified*
Bank loans	40 474	47 440
- investment loans	-	7 115
- revolving loans	5 311	5 966
- project purpose loans	35 163	34 358
Loans from other entities	12 226	14 442
- investment loans	11 032	14 442
- loans from third parties	1 194	-
Financial lease liabilities	26 259	27 613
Total	**78 959**	**89 494**

(data in PLN 000s, unless stated otherwise)

Interest- bearing short term bank credits and loans:

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Bank loans	17 425	9 356
- investment loans	7 399	7 115
- revolving loans	9 011	1 291
- project purpose loans	1 015	950
Loans from other entities	4 437	4 429
- investment loans	4 399	4 429
- loans from other entities	38	-
Financial lease liabilities	8 184	7 840
Total	**30 046**	**21 625**
Total short and long term loan and credits	**109 005**	**111 119**

32. Failure to repay a loan or a violation of the loan agreement, for which there were no corrective actions

During the current period, the Group was repaying the loans in accordance with the schedules of existing loan agreements. There were no cases of failure to repay a loan or a violation of the loan agreement.

33. Other short-term financial liabilities

In the item "Other financial liabilities" the Group presented a factoring liability. As at 30 June 2016 the Group had no liability due to factoring. The Parent Company entered into a recourse factoring agreement in 2016. The current funding limit was decreased in 2016 from PLN 100,000 thousand to PLN 50,000 thousand. The factoring interest is calculated on the basis of the variable WIBOR O/N rate increased by a factor's fixed margin.

34. Derivatives

Cash flow hedges and the use of hedge accounting.

Hedge accounting is not applied by the Polish companies belonging to the Trakcja PRKiI Group, but it is used by the Lithuanian part of the Trakcja Group, i.e. the companies of the AB Kauno Tiltai group - AB KaunoTiltai and UAB Palangos aplinkkelis.

On 5 June 2013 the subsidiary of the Issuer, i.e. UAB Palangos aplinkkelis concluded an interest rate swap (IRS) to secure future cash flows due to planned interest payments on the term loan. Pursuant to the agreement, the company is a payee of amounts according to a fixed rate, whereas the bank is a payee of amounts according to a variable rate. The date of expiry of the hedging relationship was set at 31 May 2028.

On 8 and 14 October 2015, the subsidiary of the Issuer, i.e. AB Kauno Tiltai entered into two interest rate swap (IRS) transactions to secure future cash flows due to planned interest payments on the term loan. Pursuant to the agreement, the company is a payee of amounts according to a fixed rate, whereas the bank is a payee of amounts according to a variable rate. The date of expiry of the hedging relationships was set at 14 January 2020.

The fair value of the IRS contracts is calculated as the current value of estimated future cash flows based on the observation of income curves. The technique of fair value valuation was not changed within the first half-year of 2016.

As at 30 June 2016, the influence of the valuation of the above hedging instruments on long-term liabilities was PLN 2,484 thousand, and the influence on total income was negative and amounted to PLN 1,895 thousand.

The Group carried out in the first half of 2016 the assessment of effectiveness of IRS hedging transactions. During the reporting period, the hedge on the interest rate change was highly effective, therefore no ineffective part due to IRS valuation has been identified or recognized in the profit and loss statement.

Other derivatives

During the reporting period, the Group did not enter into new interest rate swap (IRS) contracts and did not enter into derivative contracts for speculative purposes. Except for the above IRS instruments, the Group did not apply hedge accounting in the reporting periods covered by the report, and due to the fact that the Group is not a party to other contacts on derivatives during the period covered by this report, and no derivative financial instruments were valued at fair value by the profit and loss account.

(data in PLN 000s, unless stated otherwise)

The Group classifies financial derivative instruments at Level 2 of the fair value hierarchy. During the first half of 2016, there were no transfers between levels 1, 2 and 3. Details concerning level classification are presented in Note 38.

35. Provisions

	Provisions
As at 1.01.2016	**32 892**
Audited	
Recognized	24 567
Variations due to currency translation	587
Used	(19 662)
Reversed	(906)
As at 30.06.2016	**37 478**
Unaudited	
including	
- long-term	18 754
- short-term	18 724

During the first half of 2016, the Group established provisions for correction works amounting to PLN 13,319 thousand in connection with the construction contracts near completion.

36. Unwinding of any provision for restructuring costs

Not applicable.

37. Trade liabilities and other liabilities

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Trade liabilities, before discounting	254 788	251 948
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	**254 788**	**251 948**
including:		
- liabilities to related entities	2 018	2 495
Amounts held	21 462	19 369
Budgetary liabilities	10 189	8 562
Payroll liabilities	6 764	4 718
Other liabilities towards third parties	935	3 494
Dividends and other distributions	17 618	10
Total trade and other liabilities	**311 756**	**288 100**

(data in PLN 000s, unless stated otherwise)

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Trade liabilities and amounts held before discounting		
With maturity within 12 months	271 840	262 602
With maturity over 12 months	4 410	8 715
Total, Trade liabilities and amounts held after discounting	**276 250**	**271 316**

38. Fair value of financial instruments

In the I half of 2016 the Company did not change the method and technique of valuation of financial instruments measured at fair value compared to the consolidated annual financial statement. The balance sheet value of assets and financial liabilities is close to their fair value.

Due to the short-term nature of trade receivables and other receivables, trade liabilities and other liabilities, as well as cash and cash equivalents, the balance sheet value of these financial instruments is close to their fair value.

Granted loans and taken credits and loans are based on the variable market rates in accordance with WIBOR and EURIBOR, hence their fair value is close to the balance sheet value.

Fair value of the IRS contracts (presented in the financial derivative instruments category) is calculated as the present value of estimated future cash flows based on the observation of yield curves.

During the I half of 2016 there were no transfers between levels 1, 2 and 3 in the fair value hierarchy.

39. Assets and liabilities measured at fair value

The Group measures at fair value the following assets and liabilities: investment property and financial derivatives. During the I half of 2016 there was no change in valuation technique of fair value of the above mentioned assets and liabilities. Details of the valuation technique used and the unobservable inputs used in the valuation were described in the annual financial statements of the Group for the year 2015.

Balance sheet elements accounted in fair value	**Level 1**		**Level 2**		**Level 3**	
	30.06.2016	**31.12.2015**	**30.06.2016**	**31.12.2015**	**30.06.2016**	**31.12.2015**
Derivative financial instruments (liability)	-	-	8 327	5 843	-	-
Property investment	-	-	-	-	21 989	21 976
Real estate Office	-	-	-	-	15 772	15 772
Land properties	-	-	-	-	2 300	2 287
The deposits of natural aggregates	-	-	-	-	3 917	3 917

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 (by using techniques based on actual transactions);

Level 3 – prices not coming from active markets.

There were no transfers between levels 1, 2 and 3 during the I half of the year 2016 in hierarchy of fair value.

40. Changes in business or economic circumstances that affect fair value of financial assets and liabilities of the Group, depending on whether they are recognized at fair value or at amortized cost

In the I half of 2016 there were no changes in business or economic circumstances which would result in a significant impact on the fair value of financial assets and financial liabilities.

(data in PLN 000s, unless stated otherwise)

41. Change of write-downs and impairment of assets

	Tangible asstes	Intangible assets	Goodwill	Inventory	Receivables	Total
As at 1.01.2016 *Modified*	**792**	**-**	**49 733**	**1 194**	**21 661**	**73 380**
Recognized	-	-	-	1 055	1 188	2 243
Variances due to currency translation	-	-	-	18	2	20
Used	-	-	-	-	(129)	(129)
Reversed	-	-	-	(336)	(404)	(740)
As at 30.06.2016 *Unaudited*	**792**	**-**	**49 733**	**1 931**	**22 318**	**74 774**

42. Joint arrangements

Joint ventures

The Group has a 50% share in the equity of the company Bahn Technik Wrocław Sp. z o. o., whose scope of business includes track works including welding, regeneration of turnouts and track assembly. BTW operates in Poland. The investment in BTW is valued by using the equity method.

The following are condensed financial data of BTW and its reconciliation with the carrying amount of the investment in the joint venture:

	30.06.2016 *Unaudited*	**31.12.2015** *Modified*
Current assets	10 612	19 744
including: Cash and cash equivalents	278	3 231
Non-current assets	23 923	24 030
Long-term liabilities	6 358	14 266
including: Interest-bearing loans and borrowings	1 456	2 094
Short-term liabilities	1 270	1 230
including: Provision for deferred tax	470	1 157
Equity	**26 907**	**28 279**
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	**13 454**	**14 140**

(data in PLN 000s, unless stated otherwise)

	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
	Unaudited	*Unaudited*
Sales revenues	10 290	13 675
Cost of goods sold	11 838	13 461
including: Depreciation	1 570	1 385
Financial income	112	326
including: Interest income	4	13
Financial costs	294	320
including: Interest cost	28	40
Income tax	(296)	398
Net result from continued operations	**(1 368)**	**(179)**
Net result from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	**(1 368)**	**(179)**
Group's share of profit for the year from continued operations (50%)	(684)	(89)
Group's share of total comprehensive income for the period from continued operations (50%)	(684)	(89)

As at June 30, 2016 the company BTW had the following contingent liabilities:

- promissory notes in the amount of PLN 1,748 thousand (31.12.2015: PLN 2,000 thousand);
- cession of insurance policies in the total amount of PLN 10,408 thousand (31.12.2015: PLN 10,210 thousand);
- guarantees amounting to PLN 324 thousand (31.12.2015: PLN 266 thousand).

Joint operations – contracts carried out on the basis of consortium agreements

The Group carries out as a leader (without creation of separate entities) several long-term contracts based on consortium agreements. The Group treats share in such contracts as share in joint arrangements in accordance with IFRS 11. Therefore the Company does not recognize in the profit and loss account the part of revenues and costs that is assigned to the consortium members and which results from such agreements.

In the first half of the year 2016 the value of revenues assigned to the consortium members that results from the consortium agreements – and that was not recognized in the profit and loss account of the Group – amounts to PLN 45,287 thousand while the value of costs amounts to PLN 44,720 thousand.

The Group did not recognize in the balance sheet as at June 30, 2016 the trade receivables assigned to the consortium partners in the amount of PLN 59,568 thousand (31.12.2015: PLN 37,410 thousand) and did not include the trade liabilities assigned to the consortium partners in the amount of PLN 70,097 thousand (31.12.2015: PLN 47,537 thousand).

(data in PLN 000s, unless stated otherwise)

43. Additional information to the cash flow statement

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Cash in hand	166	124
Cash at bank	22 427	95 294
Other cash and cash equivalents - deposits	21 258	155 088
Other cash and cash equivalents - escrow	959	928
Total	**44 810**	**251 435**
Deposits adjusting the value of cash at end of period	-	-
Total cash and cash equivalents	**44 810**	**251 435**
Cash and cash equivalents excluded from cash flow statement	(2 436)	(118)
Cash and cash equivalents presented in cash flow statement	**42 374**	**251 317**

Cash and cash equivalents excluded from the cash flow statement as at June 30, 2016 relate to blocked funds in accounts of development projects amounting to PLN 2,436 thousand.

44. Contingent items and other off-balance sheet items

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Contingent receivables		
From related entities due to:	**-**	**809**
Received guarantees and sureties	-	809
From related entities due to:	**76 760**	**98 049**
Received guarantees and sureties	70 203	92 547
Bills of exchange received as collateral	6 557	5 502
Total contingent receivables	**76 760**	**98 859**
From related entities due to:		
From related entities due to:	**-**	**809**
Provided guarantees and sureties	-	809
From other entities due to:	**2 426 355**	**2 717 007**
Provided guarantees and sureties	539 766	563 859
Promissory notes	492 889	439 152
Mortgages	146 858	151 067
Assignment of receivables	1 142 355	1 456 182
Assignment of rights under insurance policy	47 603	41 586
Security deposits	19 949	28 419
Other liabilities	36 935	36 743
Total contingent liabilities	**2 426 355**	**2 717 816**

Contingent liabilities due to granted guarantees and sureties for the benefit of other entities are mainly guarantees granted by the banks for the contracting parties of the Companies within the Group as collateral of their claims in relation to the Group for realized building contracts (guarantees of good performance, guarantees of removal of defects and damages, and guarantees of reimbursement of advance payment). The banks are entitled to back claims against the companies of the Group. Promissory notes constitute another form of collateral of bank guarantees, as stipulated above.

As a result of the concluded employment contracts with employees and the Management Board, the Group as at June 30, 2016 possessed contingent receivables amounting to PLN 1,519 thousand (31.12.2015: PLN 1,310 thousand) and contingent liabilities amounting to PLN 8,530 thousand (31.12.2015: PLN 8,672 thousand). Additionally, in case of the manager's breach of his obligations defined in Article 1 of the on-Competition Agreement, this manager will pay in favour of the Group - immediately and without a termination notice or any demand from the Group – a penalty of the

PLN equivalent to EUR 25,000 for each instance of infringement and the PLN equivalent to EUR 1,000 for each day in which such an infringement takes place or is continued.

Tax settlements and other fields of the business that are subject to regulations (e.g. customs and currency issues), may the subject of administrative bodies' control, which are entitled to impose high penalties and sanctions. Lack of reference to established 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. Such events result in the tax risk in Poland being much higher than in countries with a more development tax system. Tax settlements may be subject to 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, as at June 30, 2016 adequate reserves for recognized and measurable tax risk were created.

The Group recognizes perpetual usufruct of land in the amount of PLN 1,567 thousand - obtained free of charge on the basis of an administrative decision - as off-balance sheet operating leases.

45. Events occurring after the end of the reporting period that were not reflected in the financial statements for the I half of the year 2016

Between the balance sheet date and the date of preparing these financial statements of the Trakcja Group, i.e. August 30, 2016 the no material events took place.

46. Seasonal and cyclical activities

Sales of construction and assembly, renovation as well as road and railway services in Poland is characterized by seasonality resulting mainly from weather conditions. The highest revenues achieved are usually in the II and III quarters, while the lowest - in the I quarter.

47. Change in classification of financial assets as a result of changes in their purpose or use

In the I half of 2016 the Group did not change classification of financial assets as a result of changes in their purpose or use.

48. Information on issues, redemption and repayment of debt and capital securities

In the I half of 2016 the Group did not issue, redeem or repay any debt or equity securities.

49. Information on dividends paid or declared

In the first half year of 2016, the dividend was not paid by Trakcja PRKiI S.A.

On 16 June 2016, the Annual General Meeting resolved to distribute the Company's profit for 2015 in the amount of PLN 35,161,377.61 as follows:

- the amount of PLN 17,475,846.32 (i.e. PLN 0.34 per one share) for the payment of dividend,

- the amount of PLN 17,685,531.29 for other capital reserves.

The number of shares covered by the dividend is 51,399,548.

The dividend day was set by the Annual General Meeting as the 24th of June 2016 and the day of dividend payment as the 8th of July 2016.

50. Material litigation and disputes

As of 30 June 2016, the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authority, the value of which separately would be at least equivalent to 10% of the equity of Trakcja PRKiI S.A. The Company also informs that the total value of proceedings concerning the Company's claims and liabilities is at least 10 % of the Company's equity. The total value of the proceedings concerning the Company's claims is PLN 61,160,780.53 and the total value of the proceedings concerning the Company's liabilities is PLN 5,414,564.74.

The most significant proceedings concerning claims:

The case concerning claims against Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej in Warsaw (as of the commencement date of the proceedings, the case value exceeded 10 % of the Company's equity)

Trakcja S.A. in Warsaw merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja PRKiI S.A. in Warsaw. In connection with the announcement by the District Court for Warsaw – Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (hereinafter referred to as the "PNI") with a possibility of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław submitted a statement of claims of 20 November 2012 to the bankruptcy court. The statement covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the bankruptcy announcement date, as well as the accrued contractual penalties.

According to the Company's knowledge, a list of claims towards PNI was prepared. Claims of Trakcja PRKiI S.A. were accepted in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 due to unpaid invoices and PLN 294,632.29 due to interest for delay in payment. The receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were refused to be accepted. The Company does not agree with the refusal to accept the aforementioned part of claims; therefore, an objection was submitted to the judge commissioner concerning the refusal in the aforementioned scope. The court had rejected the objection, therefore the Company filed a complaint which was overruled. On 8 June 2015, the Company received a notice from the trustee in bankruptcy on the change of bankruptcy procedure from arrangement bankruptcy to liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

The most significant proceedings concerning liabilities:

Case initiated by Eiffage Polska Koleje Sp. z o.o. with its registered office in Warsaw

Eiffage Polska Koleje Sp. z o.o. based in Warsaw filed on 15 May 2015 a suit for payment for the amount of PLN 1,634,833.00 against Trakcja PRKiI S.A. seeking compensation for additional costs incurred within the prolonged term of the Agreement. The Company filed a response to the suit, and now the case is pending. It is difficult to predict the date of closing the case.

Other proceedings:

Submission of claims to the bankruptcy estate of Projekt-Bud Sp. z o.o. based in Warsaw

The Company informs that on 10 March 2015, by the decision of the District Court of the City of Warsaw in Warsaw, Projekt-Bud Sp. z o.o. ("the Bankrupt") was declared bankrupt with the possibility of an arrangement. The Company submitted its claims against the Bankrupt in total amount of PLN 9,708,613.62. The total amount of lodged claims comprised claims under lease of locomotives and wagons, equipment rental, sales contracts, performed works and the contractual penalty charged against the Bankrupt. On 31 December 2015, PKP PLK made a direct payment of PLN 7,382,827.30. In view of the above, as of the date of approval of these financial statements, the Company's claim against the Bankrupt was PLN 2,325,786.32.

Apart from the proceedings specified above, which are included in the amounts stated at the beginning of the note, there are also other disputes pending within the Group:

PRK 7 Nieruchomości Sp. z o.o.

A case filed by Osiedle Lazurowe Commonhold against the company for the payment of PLN 700,466.50 together with interest from the date of filing the suit to the date of payment, is pending before the Regional Court in Warsaw. The Company is questioning the claims contained in the lawsuit, therefore the Company submitted a response to the lawsuit. In 2015, a provision to cover this amount was created. The case is pending and its resolution date is difficult to predict.

AB KaunoTiltai

Investor AB Lietuvos geležinkeliai filed a lawsuit against the Consortium, subsidiary AB Kauno Tiltai is a member of, for a total sum of PLN 66,336,281.54 (EUR 14,989,556.33). The investor brought a claim against AB Kauno Tiltai to charge a contractual penalty for delay in the performance of works. The share of the Trakcja Group in any potential liabilities that may arise from this trial is 65 %. The case is suspended for the preparation of the expert's report. As a result of the analysis of risks associated with the ongoing litigation, the Group created in 2015 a provision for this litigation. In the reporting period from 1 January to 30 June 2016 a court hearing was held, during which the court began the process of selection of an expert witness to assist the court in the case. Due to the prolonging process of the appointment of the expert and the absence of any other developments in the trial, the Group, as of 30 June 2016, decided to retain the provision unchanged from 31 December 2015. The Group refrained from making other disclosures related to this court case by invoking clause 92 of IAS 37.

(data in PLN 000s, unless stated otherwise)

51. Information on related entities

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

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

Related entities	Financial year	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.	1.01.2016 - 30.06.2016	-	973	-	-	-	-
	1.01.2015 - 30.06.2015	-	1 115	-	-	-	-
Joint ventures:							
BTW Sp. z o.o.	1.01.2016 - 30.06.2016	548	3 443	-	-	-	-
	1.01.2015 - 30.06.2015	315	1 974	-	-	-	-
Total	**1.01.2016 - 30.06.2016**	**548**	**4 416**	**-**	**-**	**-**	**-**
	1.01.2015 - 30.06.2015	**315**	**3 089**	**-**	**-**	**-**	**-**

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

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders of parent company:					
COMSA S.A.	30.06.2016	-	974	-	-
	31.12.2015	-	1 011	-	-
Joint ventures:					
BTW Sp. z o.o.	30.06.2016	295	1 044	-	-
	31.12.2015	194	1 484	-	-
Total	**30.06.2016**	**295**	**2 018**	**-**	**-**
	31.12.2015	**194**	**2 495**	**-**	**-**

(data in PLN 000s, unless stated otherwise)

The Parent company has signed with its shareholder: COMSA S.A. an agreement concerning granting Trakcja PRKiI S.A. a license for the entire technical know-how and trademark as well as for sharing intangibles in the form of competences, industry knowledge, expertise in the organizational, operational, commercial and technological field held by COMSA S.A. The agreement was concluded on market terms.

52. Remuneration of the Management Board and the Supervisory Board of the Parent company

Remuneration of the Management Board	For the period 6 months ended 30.06.2016		30.06.2015	
	In Parent Company	In subsidiaries	In Parent Company	In subsidiaries
Salaries and other current employee benefits	2 676	1 739	6 004	1 068
Post-employment benefits	-	-	380	-
Other long-term benefits	-	-	-	-
Benefits due to termination of employment	1 530	-	1 643	-
Share-based payment	-	-	-	-
Total	**4 206**	**1 739**	**8 027**	**1 068**

Remuneration of the Supervisory Board	For the period 6 months ended 30.06.2016		30.06.2015	
	In Parent Company	In subsidiaries	In Parent Company	In subsidiaries
Remuneration due to service in the Supervisory Board, salaries and other	143	262	219	214
Total	**143**	**262**	**219**	**214**

Warsaw, August 30, 2016

The Management Board:

Jarosław Tomaszewski	Nerijus Eidukevičius
President of the Board	Vice President of the Board
Marek Kacprzak	Paweł Nogalski
Vice President of the Board	Vice President of the Board

Sławomir Raczyński

Vice President of the Board

Person responsible for preparing the financial statement:

Sławomir Krysiński

Director of Financial Reporting

Trakcja Group

TRAKCJA PRKiI S.A.

CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2016
PREPARED IN COMPLIANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

APPROVAL APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKiI S.A. has approved the condensed financial statements of Trakcja PRKiI S.A. for the period from January 1, 2016 to June 30, 2016.

The condensed financial statements for the period from January 1, 2016 to June 30, 2016 have been prepared according to the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and applicable to interim reporting as approved by the European Union (IAS 34 "Interim Financial Reporting").

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

1. Profit and loss account for the period from January 1, 2016 to June 30, 2016, showing the net profit of PLN **26,427** thousand.
2. Statement of comprehensive income for the period from January 1, 2016 to June 30, 2016, showing total comprehensive income of PLN **26,986** thousand.
3. Balance sheet drawn up as at June 30, 2016, showing the total assets and total equity and liabilities of PLN **913,600** thousand.
4. Cash flow statement for the period from January 1, 2016 to June 30, 2016, showing an increase of cash balance by PLN **108,054** thousand.
5. Statement of changes in equity for the period from January 1, 2016 to June 30, 2016, showing an increase in equity of PLN **9,510** thousand.
6. Condensed notes and explanations.

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

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

Jarosław Tomaszewski

President of the Board

Nerijus Eidukevičius

Vice President of the Board

Marek Kacprzak

Vice President of the Board

Paweł Nogalski

Vice President of the Board

Sławomir Raczyński

Vice President of the Board

Warsaw, August 30, 2016

CONTENTS

(data in PLN 000s, unless stated otherwise)

PROFIT AND LOSS ACCOUNT

	Note	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
		Unaudited	*Unaudited*
Continued operations			
Sales revenues	**4**	**268 343**	**346 042**
Cost of goods sold		**(252 599)**	**(314 099)**
Gross profit (loss) on sales		**15 744**	**31 943**
Cost of sales, marketing and distribution		(941)	(751)
General and administrative costs		(12 494)	(20 050)
Other operating revenues	5	1 921	1 105
Other operating costs		(338)	(693)
Operating profit (loss)		**3 892**	**11 554**
Financial revenues	6	25 514	17 642
Financial costs	7	(2 147)	(4 117)
Gross profit (loss)		**27 259**	**25 079**
Income tax	8	(832)	(2 367)
Net profit (loss) from continued operations		**26 427**	**22 712**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit for financial year		**26 427**	**22 712**
Net profit/(loss) in PLN per one share			
– basic		0,51	0,44
– diluted		0,51	0,44

(data in PLN 000s, unless stated otherwise)

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
		Unaudited	*Unaudited*
Net profit (loss) for the period		**26 427**	**22 712**
Other total income for the period			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		**559**	**(764)**
Actuarial gains/(losses)		559	(764)
Total other comprehensive income	9	559	(764)
TOTAL INCOME FOR THE PERIOD		**26 986**	**21 948**

(data in PLN 000s, unless stated otherwise)

BALANCE SHEET

ASSETS	Note	30.06.2016	31.12.2015
		Unaudited	*Modified*
Non-current assets		**620 138**	**619 661**
Tangible non-current assets	10	120 524	117 408
Intangible assets		55 007	55 567
Investment properties	12	17 602	17 602
Investments in joint venture	11	2 008	2 008
Investments in subsidiaries	11	412 732	412 572
Other financial assets		4 787	4 671
Deferred tax assets	8	5 623	6 587
Prepayments		1 855	3 246
Current assets		**293 462**	**299 500**
Inventory	14	50 850	31 283
Trade and other receivables	15	180 803	101 581
Other financial assets		10 345	11 828
Cash and cash equivalents		27 971	136 025
Prepayments		7 043	7 206
Construction contracts	13	13 388	8 515
Assets held for sale		3 062	3 062
Total assets		**913 600**	**919 161**

Equity and liabilities	Note	30.06.2016	31.12.2015
Equity		**622 837**	**613 327**
Share capital	16	41 120	41 120
Share premium account		309 984	309 984
Revaluation reserve		6 295	6 295
Other capital reserves		239 011	220 767
Retained earnings		26 427	35 161
Total equity		**622 837**	**613 327**
Long-term liabilities		**48 580**	**47 399**
Interest-bearing loans and borrowings	17	30 719	33 340
Provisions	20	9 358	4 690
Liabilities due to employee benefits		8 503	9 369
Short-term liabilities		**242 183**	**258 435**
Interest-bearing loans and borrowings	17	10 153	9 651
Trade and other liabilities	19	176 441	182 398
Provisions	20	7 448	6 189
Liabilities due to employee benefits		7 351	6 722
Tax liabilities		-	3 362
Other financial liabilities	18	-	148
Accruals		242	150
Construction contracts	13	40 548	49 815
Total equity and liabilities		**913 600**	**919 161**

(data in PLN 000s, unless stated otherwise)

CASH FLOW STATEMENT

	Note	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
		Unaudited	*Unaudited*
Cash flows from operating activities			
Gross profit from continued operations		**27 259**	**25 079**
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		**(135 578)**	**22 035**
Depreciation		5 865	6 643
FX differences		246	(600)
Net interest and dividends		(24 245)	(12 942)
Profit on investment activities		172	(262)
Change in receivables		(76 697)	134 617
Change in inventory		(19 567)	(3 638)
Change in liabilities, excluding loans and borrowings		(12 524)	(98 633)
Change in prepayments and accruals		1 646	(5 045)
Change in provisions		5 927	(1 617)
Change in construction contracts		(14 139)	10 496
Income tax paid		(3 362)	(6 097)
Other		1 100	(887)
Net cash flows from operating activities		**(108 319)**	**47 114**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(5 672)	(4 207)
- acquisition		(5 715)	(5 779)
- sale		43	1 572
Sale (acquisition) of shares and stocks in affiliates and subsidiaries		(160)	-
- acquisition		(160)	-
Financial assets		5 152	2 240
- sold		6 802	3 036
- acquired		(1 650)	(796)
Loans		(3 700)	1 948
- repaid		-	1 948
- granted		(3 700)	-
Dividend received		12 117	-
Interest received		-	244
Net cash flows from investment activities		**7 737**	**225**
Repayment of borrowings and loans		(2 129)	(9 040)
Interests and commissions paid		(1 241)	(3 143)
Inflows (outflows) due to other financial liabilities		(300)	(38 338)
Payment of liabilities under financial lease agreements		(3 802)	(1 944)
Net cash flows from financial activities		**(7 472)**	**(52 465)**
Total net cash flows		**(108 054)**	**(5 126)**
Net FX differences		-	-
Cash at start of period		**136 025**	**14 113**
Cash at end of period		27 971	8 987
- with limited access	25	959	940

(data in PLN 000s, unless stated otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revalua-tion reserve	Other reserve capitals			Retained earnings	Total equity
Modified				Actuarial gains/ (losses)	Results from previous years	Other		
As at 1.01.2016	**41 120**	**309 984**	**6 295**	**(779)**	**221 546**	**-**	**35 161**	**613 327**
Corrections of errors	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	**41 120**	**309 984**	**6 295**	**(779)**	**221 546**	**-**	**35 161**	**613 327**
Net profit for the period	-	-	-	-	-	-	26 427	26 427
Other comprehensive income	-	-	-	559	-	-	-	559
Distribution of profit	-	-	-	-	17 685	-	(17 685)	-
Dividend payment	-	-	-	-	-	-	(17 476)	(17 476)
As at 30.06.2016 Unaudited	**41 120**	**309 984**	**6 295**	**(220)**	**239 231**	**-**	**26 427**	**622 837**
Audited								
As at 1.01.2015	**41 120**	**309 984**	**12 604**	**(4 106)**	**171 845**	**-**	**49 797**	**581 244**
Corrections of errors	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-
As at 1.01.2015 after adjustments	**41 120**	**309 984**	**12 604**	**(4 106)**	**171 845**	**-**	**49 797**	**581 244**
Net profit for the period	-	-	-	-	-	-	22 712	22 712
Other comprehensive income	-	-	-	(764)	-	-	-	(764)
Distribution of profit	-	-	-	-	49 797	-	(49 797)	-
Transfer within equity	-	-	(5 878)	(3 488)	4 791	4 006	-	(569)
As at 30.06.2015 Unaudited	**41 120**	**309 984**	**6 726**	**(8 358)**	**226 433**	**4 006**	**22 712**	**602 623**

(data in PLN 000s, unless stated otherwise)

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals		Retained earnings	Total equity
Audited				Actuarial gains/ (losses)	Results from previous years		
As at 1.01.2015	**41 120**	**309 984**	**12 604**	**(4 106)**	**171 845**	**49 797**	**581 244**
Corrections of errors	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-
As at 1.01.2015 after adjustments	**41 120**	**309 984**	**12 604**	**(4 106)**	**171 845**	**49 797**	**581 244**
Net profit for the period	-	-	-	-	-	35 161	35 161
Other comprehensive income	-	-	-	(161)	-	-	(161)
Distribution of profit	-	-	-	-	49 797	(49 797)	-
Transfer within equity	-	-	(1 296)	3 488	(2 192)	-	-
Settlement of the acquisition of the shares of PRK 7 Nieruchomości	-	-	(4 995)	-	2 042	-	(2 953)
Other	-	-	(18)	-	54	-	36
As at 31.12.2015 Audited	**41 120**	**309 984**	**6 295**	**(779)**	**221 546**	**35 161**	**613 327**

CONDENSED NOTES AND EXPLANATIONS

1. General information

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. ("PKRE S.A."). The Company's business name was then Trakcja Polska S.A. and was changed by Resolution no. 2 adopted by an Extraordinary Shareholder Meeting on November 22, 2007. The change was confirmed by the entry in the National Court Register made on December 10, 2007. The Company's previous business name was Trakcja Polska – PKRE S.A. The Company operates on the basis of the articles of association prepared on January 26, 1995 in the form of a notary deed (Rep. A No. 863/95), as amended.

On September 1, 2009, the Regional Court for the capital city of Warsaw, 12th Economic Division of the National Court Register, has registered the merger of Trakcja Polska S.A. as a taking-over company with Przedsiębiorstwo Robót Komunikacyjnych-7 S.A. – as a company being taken-over. The merger of the companies has been settled and recognized on August 31, 2009 in the accounting books of the company, to which the property of the merged companies passed to, i.e. Trakcja Polska S.A. by means of shares bonding method. The actual merger of the companies, according to IFRS 3 took place at the moment of gaining the control over PRK – 7 S.A., i.e. on September 1, 2007.

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

On December 19, 2013, the Regional Court for the capital city Warsaw in Warsaw, 12th Economic Division of the National Court Register registered the merger of Trakcja S.A. as the acquiring company with PRKiI S.A. as the acquired company. The merger was settled and recognized as 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 December 19, 2013, the Regional Court for the capital city Warsaw in Warsaw, 13th Economic Division of the National Court Register registered the change of name of the Company from Trakcja S.A. to Trakcja PRKiI S.A. This change was registered pursuant to Resolution No. 4 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 19th Economic Division under the file number KRS 0000084266. The Company was assigned the statistical number REGON 010952900, the taxpayer identification no. NIP 525-000-24-39 and code PKD 4212Z.

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

According to the Statute, the Parent Company is engaged in specialist construction and installation services within the scope of railway and tram lines electrification. The Company specializes in the following types of activity:

- foundation and network works,
- installation of traction substations and section cabs,
- installation of high and low voltage overhead and cable lines,
- Installation of local supply and control cables,
- manufacturing of products (high, medium and low voltage switching stations, traction network equipment and local control devices),
- specialist equipment services (excavators, railway and truck cranes, boring rigs, pile drivers),
- construction of bridges, viaducts, overpasses, culverts, tunnels, underpasses roads and associated rail and road infrastructure.

The interim condensed financial statements cover the period of 6 months ended on June 30, 2016 and include comparative data for the period of 6 months ended on June 30, 2016 and as at December 31, 2015.

These financial statements were approved for publication by the Management Board on August 30, 2016. The financial statements are part of the condensed consolidated interim report, which also includes the condensed consolidated report of the Trakcja Group (the "Group"), where the Company is a Parent company.

The composition of the Trakcja Capital Group and other general information on the Company has been presented in note no. 2 of the notes and explanations included in the Group's condensed consolidated financial statements for the period of 6 months ended on June 30, 2016.

The highest-level parent company for the Trakcja Capital Group is the Spanish company COMSA S.A, which prepares consolidated financial statements that also include the Trakcja Group data.

2. Accounting principles and changes during the half year

2.1 Significant values based on professional judgment and estimates

A detailed description of the essential values based on professional judgment and estimates are presented in note 6 of the annual financial statement of Trakcja PRKiI S.A. for the year 2015. In the I half of 2016 there were no significant changes in accounting estimates, assumptions and judgments of management that were subject to verification at the balance sheet date June 30, 2016.

Below we presented the professional judgment of the management, assumptions related to the future and other key sources of uncertainties existing at the balance sheet date with which the risk of significant value adjustment of balance sheet assets and liabilities in the following fiscal year is related.

Professional judgment

Fair value of financial instruments

Fair value of the financial instruments for which active market does not exist is estimated by using adequate estimation methods. When selecting the right methods and assumptions, the Company follows the professional judgment. Applied assumptions are presented in note No. 46 of Additional information and explanations to the Financial statements of Trakcja PRKiI company for the year ended on December 31, 2015.

In the I half of 2016, the Company did not change the valuation method of financial instruments measured at fair value. The book value of financial assets and liabilities approximates their fair value.

Classification of lease agreements

The Company classifies lease as operational or financial, based on an assessment of the scope in which risk and benefits resulting from 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 have been presented in note No. 8.2.4, 42 and 43 of Additional information and explanations to the Financial statements of Trakcja PRKiI company for the year ended on December 31, 2015.

Investment properties

The Company classifies real estate properties as tangible fixed assets or investment properties depending on their planned use by the Company.

Classification of joint arrangements

The Group determines whether it has joint control and determine the type of joint contractual arrangement in which it is involved by assessing its rights and obligations arising from the joint agreement and by taking into account the structure and legal form of the joint arrangement and conditions agreed upon by the parties. The Group classified the investment in the company Bahn Technik Wrocław Sp. z o.o. as a joint venture in accordance with IFRS 11.

Control over related parties

The Parent Company performs control over related parties if because of its involvement in them has exposure to variable returns or if has rights of variable returns and if can influence these returns by exercising power over these parties. The Company's management board determines that performs control over individual parties on the basis of the following elements:

Trakcja PRKiI is the owner of 100% of share capital of PRK 7 Nieruchomości Sp. z o. o. and performs control over this subsidiary. Trakcja PRKiI company has become the owner of PRK 7 Nieruchomości by merging Trakcja S.A. company with PRK 7 S.A. company which was the owner of PRK 7 Nieruchomości Sp. z o.o.

Trakcja PRKiI is the owner of 82,35% of share capital of Torprojekt Sp. z o. o. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of Torprojekt Sp. z o.o. by acquisition of shares.

Trakcja PRKiI is the owner of 99,70% of share capital of PEUiM Sp. z o. o. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of PEUiM Sp. z o.o. by acquisition of shares.

Trakcja PRKiI is the owner of 100% of share capital of Dalba Sp. z o. o. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of Dalba Sp. z o.o. by acquisition of shares.

Trakcja PRKiI is the owner of 94,62% of share capital of PDM Białystok S.A. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of PDM Białystok S.A. by acquisition of shares.

Trakcja PRKiI is the owner of 98,09% of share capital of AB Kauno Tiltai and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of AB Kauno Tiltai by acquiring shares of AB Kauno Tiltai which itself is the Parent company of the AB Kauno Tiltai Group.

The composition of this Group and percentage of the shares owned was presented in Note 2 of Additional information and explanations in the condensed consolidated financial statement for the period of 6 months ended on June 30, 2016.

Uncertainty of estimates

Revenues recognition

The income from an uncompleted construction service within the period from the date of contract conclusion until the balance sheet date - net the income which affected the financial result in the previous reporting periods - is to be determined in proportion to its progress, if the progress can be measured reliably. The Company measure the progress of the service using the method of share of the costs incurred from the date of concluding the contract to the date of setting the income in the total costs of the service. The amount of incomes on sale in case of contracts concluded in foreign currency depends on the directions of shaping the currency exchange rate.

Provisions for correction works

The provisions for correction works were estimated based on the knowledge of individual construction sites managers concerning necessity or possibility of performing additional works for the Ordering Party whose aim is to fulfill the guarantee obligations. The Trakcja PRKiI is required to provide a guarantee for their services. The amount of the provision for correction works depends on the segment in which companies operate and is based on the Company'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 the provisions. The change of the provision for correction works was presented in Note 20.

Provisions for contractual penalties

The Company recognizes provisions for contractual penalties on executed contracts as value possible and probable to incur. Provisions are created based on the documentation from the course of the contract and on the opinion of lawyers who participate in discussions held and who estimate possible future liabilities of the Company resulting from the course of discussions.

Valuation of liabilities due to employee benefits

Liabilities due to employee benefits concerning retirement severance payments and jubilee awards were estimated on the basis of 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 determination of the amount of the liability is the discount rate and the average expected increase of salaries.

Deferred tax assets

The Company recognizes a deferred tax asset based on the assumption that tax profit will be achieved in the future and this tax profit can be utilized. Deterioration of the obtained tax results in the future could cause that such assumption would be unjustified. The Management Board of the Parent entity verifies adopted estimations concerning probability of recovering deferred tax assets on the basis of changes of analyzed factors, new information, and past experience. Probability of realizing the deferred tax asset with future tax profits is based on the budgets of the Group's companies. The Company recognized in the books the deferred tax asset up to the amount to which it is probable that they will generate taxable profit that will allow offsetting negative temporary differences. The Company which historically generated losses and whose financial projections do not foresee generating taxable profit that would allow to offset negative temporary differences, do not recognize deferred tax asset in their books. The change of deferred tax asset and of provision concerning such asset were presented in Note no. 8.

Depreciation rates

The amount of depreciation rates is set based on the expected period of economic usability of material components of fixed assets and intangible property. The Company every year performs verification of the adopted periods of economical usability on the basis of current estimations. In the first half of year 2016 there were no relevant changes in depreciation rates applied by the Company.

Investment properties

Investment properties are valued at fair value. Valuations of investment properties are prepared by independent experts with valid qualifications to perform such valuations. The selection of the approach and method is driven by principles defined in IFRS 13, 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. To calculate fair value of investment properties, valuation techniques that maximize use of observable data are used. As of June 30, 2016 there were no prerequisites indicating the possibility of change of value of investment properties. Therefore the Company did not make any valuation referring to that day.

Impairment of financial assets

When assessing whether the financial assets have not lost their value, the available and commonly applied methods of valuation were used and the Company's financial cash flows forecasts referring to the possessed assets were considered.

Approach to the investment in AB Kauno Tiltai

The Company does not perform identification of the cost of investment in the individual companies within the investment made on April 19, 2011 that concerned the acquisition of shares of several companies, i.e. AB Kauno Tiltai, Lithold AB and Silentio Investments Sp. z o. o. This investment was undertaken within one joint agreement for the entire transaction. The above agreement set out the total mode of payment for the whole package of the acquired companies, thereby defining the total purchase price of the whole package of companies and not for each separate company. The Management Board can't see practical possibility of dividing the purchase price paid. The Company performs an annual impairment test of the investment as a whole. The Trakcja PRKiI S.A. balance sheet value of the investment in AB Kauno Tiltai as at June 30, 2016 was presented in Note 11 of Additional information and explanations.

Impairment of inventory

The Management Board assesses whether exist prerequisites indicating a possibility of an impairment of inventory in accordance with note 8.8 to the Additional information and explanations in the consolidated financial statements for year 2015. Stating an impairment requires estimation of the net values possible to obtain for inventory which lost its utility attributes or usability. The change of the write-down of inventory was presented in Note no. 14 and 24.

Write-down of trade receivables and other receivables

The Management Board assesses whether exist prerequisites indicating a possibility of an impairment of trade receivables and other receivables. The value of receivables is revaluated by taking into account the level of probability of their payment which is done through performing a write-down. The value of the write-down depends on the probability of payment of the receivables and on the detailed analysis of significant items comprising the receivables.

Depending on the type of client and the source of receivable, assessment of the probability of recovery of the receivable is performed based either on the individual analysis of certain balances or based on the statistical repayment indicators estimated for individual age groups of receivables. Repayment indicators are defined on the basis of the observed repayment history and the client behavior and by considering also other factors which in the Management Board's opinion can affect recoverability of current receivables. The change of the write-down of trade receivables and other receivables was presented in Note no. 15 and 24.

Valuation of fair value and procedures related with valuation

Some assets and liabilities are valued at fair value for the purpose of financial reporting. In valuation of fair value of assets and liabilities the Company uses in the maximum possible scope the observable data. Detailed information of the items valued at fair value was presented in Notes no. 21 and 22.

Information on valuation techniques and input data used for valuation of fair value of individual assets and liabilities are disclosed in Notes no. 23, 41 and 48 to the Additional information and explanations in the consolidated financial statements for year 2015.

2.2 Basic assumptions

The financial statements have been prepared pursuant to the historical cost principle, except for investment properties, financial derivatives and financial assets available for sale which are carried at fair value.

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

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

The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements and they should be read jointly with the Company’s financial statements for the year ended on December 31, 2015.

The measurement currency of the Company of the interim condensed consolidated financial statement is the Polish zloty and the Company’s plant in Bulgaria is the lev (BGN).

2.3 Accounting principles

The condensed consolidated financial statement for the period from January 1, 2016 to June 30, 2016 has been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”, approved by the European Union. The presentation of these financial statements is based on the IAS 34 with application of the same principles to the current and comparative period and with adjustment of the comparative period to the change of accounting and presentation principles adopted in the financial statements for the current period.

A detailed description of the accounting principles adopted by the Company was presented in its financial statements for the financial year ended on December 31, 2015 published on March 21, 2016 and in consolidated condensed financial statements for the period of 6 months ended June 30, 2016.

2.4 Effect of applying new accounting standards and changes in accounting policies

The accounting principles (policy) applied to prepare these condensed financial statements for the I half of the year 2016 are consistent with those used to prepare the financial statements for the financial year ended December 31, 2015, except for the changes described below. The same principles were used for the current period and for the comparative period, unless a standard or an interpretation assumed exclusively application to the future period(s).

Standards and amendments to standards adopted by the IASB, but not yet approved by the EU

In these summary financial statements the Company decided not to apply any standards or interpretations issued before their effective dates.

At the moment, the IFRS in the shape approved by the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the below standards and amendments to standards, which as of 16 May 2016, have not yet been approved for application:

- *IFRS 9 Financial Instruments*

The new standard was issued on 24 July 2014 and applies to annual periods beginning on or after 1 January 2018. The purpose of the standard is to clarify the classification of financial assets and to introduce uniform rules on the approach to the assessment of impairment in regard to all financial instruments. The standard also introduces a new model of hedge accounting in order to unify the rules of including risk-management information in financial statements.

The Group shall apply the new standard from 1 January 2018.

As of the preparation of these financial statements, it was not possible to reliably estimate the impact of application of the new standard.

- *IFRS 14 Regulatory Deferral Accounts*

The new standard was issued on 30 January 2014 and applies to annual periods beginning on or after 1 January 2016. The European Commission decided not to approve this temporary standard for application in the EU until its final version has been issued. This standard is designed to allow entities adopting the IFRS for the first time, which currently recognise the regulatory deferral accounts in accordance with the previously generally adopted accounting principles, to continue recognising such accounts after the election to adopt the IFRS.

IFRS 14 Regulatory Deferral Accounts do not apply for the to the Group's operations.

- *IFRS 15 Revenue from Contracts with Customers*

The new consolidated standard was issued on 28 May 2014 and applies to annual periods beginning on or after 1 January 2018 (on 11 September 2015 the IASB deferred the effective date of the IFRS 15 to 1 January 2018 and on 12 April 2016 the IASB provided clarifications to this standard). IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and numerous interpretations regarding the recognition of revenue. The standard applies to almost all contracts with customers (except for leases [umowy leasingowe], financial instruments and insurance contracts). The core principle of the new standard is that an entity will recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration (i.e. payment) to which the entity expects to be entitled in exchange for those goods or services. The standard also provides guidance on the recognition of transactions that have not been regulated in detail by the previous standards (e.g. revenue from services or contract modifications), as well as more detailed clarifications on the recognition of contracts with multiple performance obligations.

The Group shall apply the new standard from 1 January 2018.

As of the preparation of these financial statements, it was not possible to reliably estimate the impact of application of the new standard. The Group is in the process of analysing the effects of implementing the new standard.

- *IFRS 16 Leases*

The standard was issued by the IASB on 13 January 2016 and applies to annual periods beginning on or after 1 January 2019. According to IFRS 16, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is measured similarly to other non-financial assets and it is depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use the incremental borrowing rate. Lessors classify each lease, just like under IAS 17, namely as an operating lease or a finance lease. A lease is classified by a lessor as a finance lease, if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. A lessor recognises finance income over the lease term of a finance lease, based on a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The Group shall apply the new standard from 1 January 2019.

As of the preparation of these financial statements, it was not possible to reliably estimate the impact of application of the amended standards. The Group is in the process of analysing the effects of implementing the new standard.

- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associated Entities and* Joint Ventures: Sales or Contributions of Assets between an Investor and its Associate/Joint Venture

Amendments to IFRS 10 and IAS 28 were issued on 11 September 2014 (on 17 December 2015 the IASB deferred the effective date of these amendments). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

The Group shall apply the amended standards once they have been approved for application in the EU.

As of the preparation of these financial statements, it was not possible to reliably estimate the impact of application of the amended standards.

- *Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities* and IAS 28 Investments in Associated Entities and Joint Ventures

Investment Entities: Applying the Consolidation Exception was issued by the IASB on 18 December 2014. The amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications on the accounting for investment entities. The amendments provide also, in certain circumstances, exemptions in that respect. The amendments apply mostly to annual periods beginning on or after 1 January 2016.

The Group shall apply the new standard once it has been approved for application in the EU.

- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

The amendments were issued by the IASB on 29 January 2016 and apply to annual periods beginning on or after 1 January 2017. The scope of amendments clarifying IAS 7 is to improve information provided to users of financial statements about an entity's financing activities. The amendments require that an entity provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from both cash and non-cash flows.

The Group shall apply the amended standards from 1 January 2017.

The application of the amended standard shall have no significant impact on the Group's financial statements.

- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments were issued by the IASB on 19 January 2016 and apply to annual periods beginning on or after 1 January 2017. The amendments to IAS 12 clarify the recognition of deferred tax assets that are related to debt instruments measured at fair value.

The Group shall apply the amended standards from 1 January 2017.

The application of the amended standard shall have no significant impact on the Group's financial statements.

Simultaneously, the hedge accounting for a portfolio of financial assets or liabilities, whose principles has not been approved for application in the EU, continue to remain outside the regulations approved for application in the EU.

The Entity estimates that the application of hedge accounting to a portfolio of financial assets or liabilities under IAS 39 Financial Instruments: Recognition and Measurement would not have a significant impact on the financial statements, if such principles were adopted as of the balance sheet date.

Amendments to the existing standards that have already been issued by the IASB and approved for application to the EU, but have not yet become effective

As of the approval of these financial statements, there were no amendments made to the existing standards that had been issued by the IASB and approved for application in the EU, but had not yet become effective.

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

Amendments to standards and interpretations applied for the first time in 2016

The following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and approved for application in the EU shall be applied for the first time to the financial statements of the Group for 2016:

- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2010-2012)

On 12 December 2013, further amendments to seven standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) were issued, which aimed primarily at eliminating any inconsistencies and clarifying the terminology thereof. They were approved for application in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IAS 19 Employee Benefits

The amendments were issued on 21 November 2013, approved for application in the EU on 17 December 2014 and apply to annual periods beginning on or after 1 February 2015. The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (for example, employee contributions that are calculated according to a fixed percentage of salary).

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IFRS 11 Joint Arrangements

The amendments to IFRS 11 were issued on 6 May 2014, approved for application in the EU on 24 November 2015 and apply to annual periods beginning on or after 1 January 2016. The amendments provide new guidelines on the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IAS 1: Presentation of Financial Statements – Disclosure Initiative

On 18 December 2014, under a large initiative aiming at exploring ways of improving the presentation and disclosures in financial reports, amendments to IAS 1 were issued, which were approved for application in the EU on 18 December 2015 and which apply to annual periods beginning on or after 1 January 2016. These amendments are to serve for further encouragement to entities to use professional judgement in determining information to be disclosed in their financial statements. Changes further specify that the significance concerns all financial statements and that inclusion of insignificant information may reduce the usability of strict financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in defining the place and sequence of presenting information when disclosing financial information.

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2012-2014)

On 25 September 2014, further amendments to four standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) were issued, which aimed primarily at eliminating any inconsistencies and clarifying the terminology thereof. They were approved for application in the EU on 15 December 2015 and apply to annual periods beginning on or after 1 January 2016.

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were issued on 12 May 2014, approved for application in the EU on 2 December 2015 and apply to annual periods beginning on or after 1 January 2016. The amendments clarify that depreciation methods based on revenue are not appropriate, because revenue generated from the operation of the business, of which an asset is part, in general reflects factors other than consumption of economic benefits that arise from a given asset. The amendments clarify also that a revenue-based method is not considered to be an appropriate manifestation of consumption of economic benefits that arise from a given intangible asset. There are, however, limited circumstances when certain exceptions to this principle can be applied.

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements

The amendments to IAS 27 were issued on 12 August 2014, approved for application in the EU on 18 December 2015 and apply to annual periods beginning on or after 1 January 2016. The amendments are designed to reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The application of the amended standard has no significant impact on the Group's financial statements.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Agriculture: Bearer Plants

The amendments were issued by the IASB on 30 June 2014 and apply to annual periods beginning on or after 1 January 2016. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.

IAS 41 Agriculture: Bearer Plants does not apply to the activities of the Group.

Changes introduced voluntarily by the Company

In the period covered by the summary consolidated financial statements for the first half-year of 2016, no changes were made to the principles of accounting and preparing financial statements in comparison to those disclosed in the financial statements of the Company for 2015 published on 21 March 2016.

During the first half of 2016, the Company made adjustments to the balance sheet relating to the presentation of the asset and provision for deferred income tax. The change is related to compensation of the asset and the provision for deferred income tax. The Management Board believes such presentation more reliably presents balance sheet items. In the approved annual consolidated financial statements for the 12-months period that ended on 31 December 2015, the Company presented the asset and the provision in full amount. In accordance with the adopted modification, the Company in these interim consolidated financial statements presented the above-mentioned modification, thereby reducing the balance sheet total by PLN 13,128 thousand. In the period under analysis the impact of the compensation was PLN 27,416 thousand. The table below presents the effect of the modification in the balance sheet as of 31 December 2015.

(data in PLN 000s, unless stated otherwise)

Assets	**31.12.2015**	**Netting deferred tax assets and deferred tax liabilities**	**31.12.2015**
	Published		Modified
Non-current assets	**632 789**	**(13 128)**	**619 661**
Deferred tax assets	19 715	(13 128)	6 587
Current assets	**299 500**	**-**	**299 500**
Total assets	**932 289**	**(13 128)**	**919 161**
Equity and liabilities			
Total equity	**613 327**	**-**	**613 327**
Long-term liabilities	**60 527**	**(13 128)**	**47 399**
Deferred tax liabilities	13 128	(13 128)	-
Short-term liabilities	**258 435**	**-**	**258 435**
Total equity and liabilities	**932 289**	**(13 128)**	**919 161**

3. Description of factors and events that had significant impact on the Company's financial results achieved during the I half of 2016

In the first half-year of 2016, Trakcja PRKiI S.A. obtained sales revenues in the amount of PLN 268,343 thousand, which is a decrease by 22.5 % in comparison with the analogous period of the preceding year. The main reason for the decrease in revenues of the Company are delays in the preparation of investments to be carried out in the previous and current financial framework. This resulted in delays in calling for tenders by PKP PLK for the construction of railway infrastructure. Prime costs of the sale for the period of 6 months in 2016 was PLN 252,599 thousand and decreased by 19.6% in relation to the comparable period. The decrease in the costs was the result of lower revenue level in the first half of 2016. Gross result on sales was PLN 15,744 thousand and was lower by PLN 16,199 thousand in comparison with the preceding period. In the first half of 2016, the gross profit margin on sales was 5.9% and decreased by 3.4 pp. in comparison with the comparable period. The decrease in margin was due to the fact that the fixed costs of the company's operations have been absorbed by lower portfolio of contracts being performed in the first half of 2016.

The general and administrative costs were PLN 12,494 thousand and decreased by 37.7%, i.e. by PLN 7,556 thousand, in comparison with the comparable period, due to the personnel restructuring process. The sales, marketing and distribution costs amounted to PLN 941 thousand and increased by PLN 190 thousand. Other operating revenues amounted to PLN 1,921 thousand and decreased by PLN 816 thousand in relation to the first half of 2015. Other operating costs amounted to PLN 338 thousand and decreased by PLN 355 thousand. The Company generated loss on operating activities for the period of 6 months in 2016 in the amount of PLN 3,892 thousand, which decreased by PLN 7,662 thousand in comparison with the profit on operating activities for the period of the first half of the year 2015.

The financial revenues of the Company for the period from 1 January to 30 June 2016 amounted to PLN 25,514 thousand and increased in relation to the comparable period by PLN 7,872 thousand. The increase in financial revenues was mainly due to the receipt of dividends from subsidiaries, that were higher by PLN 9,300 thousand. The financial costs in the first half of the year 2016 decreased by PLN 1,970 thousand and amounted to PLN 2,147 thousand. The decrease was primarily due to lower costs of interest on loans and credits compared to the comparable period, and due to the lack of interest on bonds due to their repayment in 2015.

In the discussed period, the Company generated the gross profit of PLN 27,259 thousand. The result was higher by PLN 2,180 thousand in comparison with the analogous period last year, when the Company generated the gross profit of PLN 25,079 thousand.

(data in PLN 000s, unless stated otherwise)

Income tax for the first half of 2016 was PLN 832 thousand, which results in whole from the change in deferred tax. The Company closed the first half of the year 2016 with the net profit of PLN 26,427 thousand; the result was higher by PLN 3,715 thousand in relation to the result achieved in the first half of the year 2015.

The balance sheet total as of 30 June 2016 was 913,600 thousand PLN and was lower by PLN 5,561 thousand than the balance sheet total at the end of 2015.

The value of fixed assets as of 30 June 2016 was PLN 620,138 thousand and increased by PLN 477 thousand, which constitutes an increase by 0.1% in comparison with the annual balance sheet total as of 31 December 2015.

Current assets decreased by 2.0% in comparison with the balance as for 31 December 2015 and amounted to PLN 293,462 thousand. Trade receivables and other receivables increased by PLN 79,222 thousand, and inventories increased by PLN 19,567 thousand, while cash and cash equivalents decreased by PLN 108,054 thousand due to the receipt, at the end of 2015, of payments from PKP PLK and thus the settlement with the consortium partners and subcontractors. Additionally, the Company were paying current liabilities to business partners in the first half of 2016 years. Construction contracts as for the balance sheet date amounted to PLN 13,388 thousand and increased by PLN 4,873 thousand, which constitutes an increase by 57.2%.

As of 30 June 2016, equity amounted to PLN 622,837 thousand and increased by PLN 9,510 thousand i.e. by 1.6% in comparison with the status as of 31 December 2015. According to the resolution of the General Meeting of 16 June 2016, the result from 2015 was assigned as follows: PLN 17,685 thousand for the reserve capital, and PLN 17,476 thousand for the payment of the dividend.

As of 30 June 2016, long-term liabilities amounted to PLN 48,580 thousand and increased by PLN 1,181 thousand, i.e. by 2.5% in comparison with the balance as of 31 December 2015. This increase was mainly due to an increase in long-term provisions as of 30 June 2016 compared to the balance as of 31 December 2015. The increase in provisions was mainly due to the establishment of provisions for correcting works amounting to PLN 8,799 thousand in connection with the construction contracts near completion.

The current liabilities amounted to PLN 242,183 thousand and decreased by PLN 16,252 thousand, i.e. by 6.3% in comparison with the balance at the end of the preceding year. This decrease resulted primarily from a decrease in construction contracts, which amounted to PLN 40,548 thousand for the balance sheet date of 30 June 2016, and decreased compared to the end of last year by PLN 9,267 thousand.

4. Sales revenue

	1.01.2016 - 30.06.2016	**1.01.2015 - 30.06.2015**
Sales revenues	*Unaudited*	*Unaudited*
Revenues from sale of construction services	265 639	339 034
Revenues from sale of goods and materials	607	645
Revenues from sale of other products and services	2 097	6 363
Total	**268 343**	**346 042**

(data in PLN 000s, unless stated otherwise)

5. Other operating income

	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
	Unaudited	*Unaudited*
Other operating income		
- reversal of provisions for litigation	650	-
- received penalties and fines	174	238
- overpaid social security contributions	245	-
- reimbursed costs from tenders in Denmark	571	-
- reimbursed costs of litigation proceedings	-	77
- inventory surplus	-	85
- redeemed l iabilities	81	251
- profit on sale of non-financial non-current assets	27	266
- other	173	188
Total	**1 921**	**1 105**

6. Financial income

	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
	Unaudited	*Unaudited*
Financial revenues from interest, including:	314	927
- bank interest	200	150
- interest on receivables	3	294
- from the reversal of provisions for interest on liabilities	-	134
- interest on loans	85	347
- other	26	2
Income from received dividends	25 143	15 843
Profit from exchange rate differences	-	431
Financial revenues from participation in guarantee costs	52	-
Financial revenues from resolve al lowances for receivables	-	441
Profit from sale of investments	5	-
Total	**25 514**	**17 642**

In the first half of 2016, the Company recognized revenues from dividends received from subsidiaries that were higher by PLN 9,300 thousand compared to the comparable period last year.

(data in PLN 000s, unless stated otherwise)

7. Financial costs

	1.01.2016 - 30.06.2016	1.01.2015 - 30.06.2015
	Unaudited	*Unaudited*
Financial costs on account of interest, including:	1 169	2 550
- interest on loans and borrowings	273	448
- on liabilities	20	135
- on factoring	20	417
- on leasing	664	582
- on bonds	-	951
- on liability from employee benefits	116	-
- other	76	17
Factoring related costs	152	520
Revaluation write-offs on bonds	-	85
Costs of commissions for advance payment guarantee	273	455
Loss from exchange rate differences	288	-
Financial expenses due to write-downs of receivables' interest	-	234
Commission paid financial	257	273
Financial expenses due to the cost of bank guarantees and insurance	8	-
Total	**2 147**	**4 117**

Due to the repayment of bonds in 2015, the Company in the first half of 2016 no longer recognized financial costs related to interest on bonds, in the same period of 2015 they amounted to PLN 951 thousand.

8. Income tax

	Balance Sheet		Consolidated statement of total comprehensive income for the period of 6 months ended 30.06.2016
	30.06.2016	31.12.2015	
	Unaudited	*Modified*	
Deferred tax asstes	33 039	19 715	13 324
Deferred tax liabilities	27 416	13 128	(14 288)
The value of offsetting of deferred tax assets and deferred tax liabilities	(27 416)	(13 128)	
Offset by the deferred tax asset	**5 623**	**6 587**	
Offset by the deferred tax liability	-	-	
Change of deferred tax assets and liabilities			**(964)**
Including:			
- through profit or loss			(833)
- through equity			(131)

The Company off-sets deferred tax asset with deferred tax liability. The impact of offsetting as at June 30, 2016 amounted to PLN 27,416 thousand and as at December 31, 2015 PLN amounted to PLN 13,128 thousand.

(data in PLN 000s, unless stated otherwise)

9. Income tax recognized in other comprehensive income

	Financial year ended	
	1.01.2016 - 30.06.2016	**1.01.2015 - 30.06.2015**
	Unaudited	Unaudited
Actuarial gains/(losses)		
Gross amount	690	(943)
Tax	(131)	179
Net amount	**559**	**(764)**

10. Property, plant and equipment

In the period from January 1, 2016 to June 30, 2016, the Company purchased tangible fixed assets in the amount of PLN 8, 635 thousand (in the comparable period: PLN 8,450 thousand).

In the period from January 1, 2016 to June 30, 2016, the Company disposed of its property, plant and equipment and intangible assets with a total book value of PLN 14 thousand (in the comparable period: PLN 1,310 thousand).

11. Investments in subordinated entities and in entities consolidated by equity method

The Company owns the following stocks and shares in subordinated entities:

- shares of the total value of PLN 364,109 thousand in AB Kauno Tiltai with seat in Kaunas, representing a 96.84% stake in the share capital of AB Kauno Tiltai. Total Trakcja PRKiI's interest in its subsidiary AB Kauno Tiltai amounts to 98.09% (96.84% direct interest and 1.25% indirect interest). Indirect interest results from possessing own shares by the subordinated entity.
- ownership interests worth PLN 17,169 thousand in PRK 7 Nieruchomości Sp. z o.o., seated in Warsaw, giving a 100% stake in the company's equity capital;
- ownership interests worth PLN 1,400 thousand in Torprojekt Sp. z o.o., seated in Warsaw, representing a 82.35% stake in the company's equity capital;
- ownership interests worth PLN 29,465 thousand in Przedsiębiorstwo Eksploatacji Ulic I Mostów Sp. z o.o., representing a 99.70% stake in the company's equity capital;
- ownership interests worth PLN 385 thousand in Dalba Sp. z o.o., representing a 100% stake in the company's equity capital;
- ownership interests worth PLN 204 thousand in PDM Białystok S.A.., representing a 94,62% stake in the company's equity capital.

Additionally, the Company holds a 50% stake in the company Bahn Technik Wrocław Sp. z o.o. with its registered office in Wrocław ("BTW") with a value of PLN 2,008 thousand. Investment in BTW was classified as a joint venture in accordance with IFRS 11. BTW is consolidated by using the equity method.

In the first half of 2016, the Company acquired 2 shares with a total nominal value of PLN 1,670 in the increased share capital of Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. at a total price of PLN 160 thousand.

(data in PLN 000s, unless stated otherwise)

12. Investment property

	30.06.2016	31.12.2015
	Unaudited	*Modified*
As at start of period (by type groups):	**17 602**	**17 602**
- land	13 532	13 532
- buildings, premises, civil and water engineering structures	4 070	4 070
Increases:	**-**	**-**
Decreases	**-**	**-**
As at end of period (by type groups):	**17 602**	**17 602**
- land	13 532	13 532
- buildings, premises, civil and water engineering structures	4 070	4 070

Investment property is measured by the Company at fair value. The Company estimates the value of the investment property as at December 31 on the basis of a valuation carried out on that date by an independent appraiser. In the course of the year, at subsequent balance sheet dates, i.e. March 31, June 30 and September 30, the Company performs analysis on the possibility of changes in fair value of investment property.

The most recent valuation of investment property was made by an appraiser as at 31 December 2015. On June 30, 2016 the Company has not identified the existence of any indications of significant change in the value of investment property. Description of valuation techniques, unobservable inputs used in the valuation and descriptive presentation of the sensitivity of the fair value measurement to changes in unobservable inputs were described in Note 22 of the Annual Financial Statements of Trakcja PRKiI for the year 2015. In the I half of 2016 there has been no change in the technique of fair value measurement.

The Company classifies its investment property at level 3 of fair value measurements hierarchy. In the I half of 2015 there were no transfers between levels 1, 2 and 3.

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

	30.06.2016	31.12.2015
	Unaudited	*Modified*
As at start of period (Level 3)	**17 602**	**17 602**
Movement from fixed assets	-	-
Gains/ (losses) recognized in profit and loss account	-	-
As at end of period (Level 3)	**17 602**	**17 602**
Unrealised profits (losses) in the period recognised in P&L (as other operating costs)	-	-

In the I half of 2016 no amount in the profit and loss account - resulting from change in fair value - was recognized.

(data in PLN 000s, unless stated otherwise)

13. Construction contracts

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Surplus of invoiced revenues over revenues resulting from degree of advancement	35 850	49 363
Surplus of revenues resulting from degree of advancement over invoiced revenues	13 210	7 745
Advances paid towards contracts being performed	178	770
Advances received towards contracts being performed	2 956	89
Provision for anticipated losses on contracts	1 742	363
Recognised in balance sheet:		
in current assets		
Construction contracts	**13 388**	**8 515**
in short-term liabilities		
Construction contracts	**40 548**	**49 815**

14. Inventory

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Materials	43 458	27 792
Semi-finished goods and products in progress	8 237	3 934
Finished goods	566	250
Merchandise	10	10
Total, gross inventory	**52 271**	**31 986**
Inventory revaluation write-offs	**(1 421)**	**(703)**
Materials	42 064	27 116
Semi-finished goods and products in progress	8 237	3 934
Finished goods	539	223
Merchandise	10	10
Total, net inventory	**50 850**	**31 283**

(data in PLN 000s, unless stated otherwise)

15. Trade receivables and other receivables

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Gross trade receivables, before discounting	178 654	105 449
Discounting of receivables	-	-
Total, gross trade receivables	**178 654**	**105 449**
including:		
- receivables from related entities	2 022	3 304
Należności z tytułu dywidend od jednostek powiązanych	2 527	-
Należności budżetowe	4 460	3 634
Receivables claimed in court	2 075	2 187
Other receivables from third parties	4 693	4 260
Receivables from paid deposits	5 620	240
Amounts held	2 429	4 831
including:		
- amounts held from related entities	18	18
Total, gross trade and other receivables	**200 458**	**120 601**
Receivables revaluation write-offs	(19 655)	(19 020)
Total	**180 803**	**101 581**

16. Share capital

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Series A ordinary shares	51 399 548	51 399 548
Total	**51 399 548**	**51 399 548**

The Company's share capital equals to PLN 41,119,638.40 and it is divided into 51,399,548 shares with a nominal value of PLN 0.80 entitled to the same amount of votes at the Company's general meeting. All shares were fully paid.

17. Interest-bearing bank credits and loans

Long term interest-bearing loans and credits:

	30.06.2016	31.12.2015
	Unaudited	*Przekształcone*
Loans from other entities	11 032	13 256
- project purpose loans	11 032	13 256
Financial lease liabilities	19 687	20 084
Total	**30 719**	**33 340**

Short term interest-bearing loans and credits:

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Bank loans	-	-
- working loans	-	-
Loans from other entities	4 399	4 304
- project purpose loans	4 399	4 304
Financial lease liabilities	5 754	5 347
Total	**10 153**	**9 651**

(data in PLN 000s, unless stated otherwise)

18. Other financial liabilities

In the item entitled "Other financial liabilities" the Company presented a factoring liability in the amount of PLN 0 thousand. The Company concluded a recourse factoring contract, the limit of financing provided in the contract has been reduced from PLN 100,000 thousand to PLN 50,000 thousand in 2016. The factoring interest is calculated on the basis of the variable WIBOR O/N rate increased by the factor's fixed margin.

19. Trade liabilities and other liabilities

	30.06.2016	**31.12.2015**
	Unaudited	*Modified*
Trade liabilities, before discounting	137 295	152 424
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	**137 295**	**152 424**
including:		
- liabilities to related entities	2 390	2 616
Amounts held	13 188	10 872
w tym:		
- do jednostek powiązanych	125	6
Budgetary liabilities	5 127	4 665
Payroll liabilities	2 522	1 948
Other liabilities towards third parties	834	2 235
Liability due to dividend payment	17 475	-
Other liabilities to related parties	-	10 254
Total trade and other liabilities	**176 441**	**182 398**

	30.06.2016	**31.12.2015**
	Unaudited	*Modified*
Trade liabilities and amounts held before discounting	150 483	163 296
With maturity within 12 months	146 898	161 507
With maturity over 12 months	3 585	1 789
discounted liabilities	-	-
Total, Trade liabilities and amounts held after discounting	**150 483**	**163 296**

20. Provisions

	Provisions
As at 1.01.2016	**10 879**
Modified	
Recognized	13 452
Used	(6 875)
Reversed	(650)
As at 30.06.2016	**16 806**
Unaudited	
including	
- long-term	9 358
- short-term	7 448

During the first half of 2016, the Company established provisions for correction works amounting to PLN 8,799 thousand in connection with the construction contracts near completion.

(data in PLN 000s, unless stated otherwise)

21. Fair value of financial instruments

In the I half of the year 2016 the Company did not change – in comparison with the annual financial statements - the mode and technique of fair value valuation of individual categories of financial instruments. The balance sheet value of assets and liabilities is close to their fair value.

Due to the short-term nature of trade receivables and other receivables, trade liabilities and other liabilities as well as of cash and cash equivalents, the balance sheet value of these financial instruments is close to their fair value.

Borrowings granted as well as loans and borrowings taken are based on the variable market rates (WIBOR) and therefore their fair value is close to the balance sheet value.

In case of ownership interests in other entities (subsidiaries included) the Company is not able - in the reliable way - to establish their fair value since they are not quoted on the active market. In accordance with the adopted accounting policy of the Company, these interests are valued at their acquisition price reduced by write-downs for impairment. Impairment test was performed as at December 31, 2015. As at June 30, 2016 there were no prerequisites that indicated possibility of occurrence of impairment of subsidiaries. Therefore the Company did not perform impairment test referring to that day.

There were no transfers between levels 1, 2 and 3 in in the fair value hierarchy during the I half of 2016.

22. Assets and liabilities measured at fair value

The Company measures the following assets and liabilities at fair value: investment property and financial derivatives. During the I half of 2016 there was no change in valuation technique of fair value of the above mentioned assets and liabilities. Details of the valuation techniques and the unobservable inputs used in the valuation were described in the annual financial statements of the Company for the year 2015.

Balance sheet elements accounted in fair value	**Level 1**		**Level 2**		**Level 3**	
	30.06.2016	**31.12.2015**	**30.06.2016**	**31.12.2015**	**30.06.2016**	**31.12.2015**
Investment property	-	-	-	-	17 602	17 602

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 (by using techniques based on actual transactions);

Level 3 – prices that do not come from active markets.

There were no transfers between levels 1, 2 and 3 in in the fair value hierarchy during the I half of the year.

23. Information regarding to change in classification of financial assets resulting from change in their purpose or use

In the first half of the year 2016 the Company did not change the classification of financial assets resulting from the change in their purpose or use.

(data in PLN 000s, unless stated otherwise)

24. Change of the write-downs of assets

	Tangible asstes	Intangible assets	Inventory	Receivables	Total
As at 1.01.2016	**-**	**-**	**703**	**19 020**	**19 723**
Modified					
Recognized	-	-	1 054	1 160	2 214
Used	-	-	-	(121)	(121)
Reversed	-	-	(336)	(404)	(740)
As at 30.06.2016	**-**	**-**	**1 421**	**19 655**	**21 076**
Unaudited					

25. Additional information to cash flow statement

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Cash in hand	84	52
Cash at bank	11 061	1 495
Other cash - deposits up to 3 months	15 867	133 550
Other cash -escrow	959	928
Total cash and cash equivalents	**27 971**	**136 025**
Deposits adjusting the value of cash at end of period	-	-
Cash and cash equivalents at end of period	**27 971**	**136 025**

26. Conditional and other off-balance sheet items

	30.06.2016	31.12.2015
	Unaudited	*Modified*
Contingent receivables		
From related entities due to:	**76 270**	**94 664**
Received guarantees and sureties	69 714	89 162
Bills of exchange received as collateral	6 556	5 502
Total contingent receivables	**76 270**	**94 664**
Contingent liabilities		
From related entities due to:	**-**	**809**
Provided guarantees and sureties	-	809
From other entities due to:	**2 086 653**	**2 269 160**
Provided guarantees and sureties	388 619	394 038
Promissory notes	492 889	439 152
Mortgages	99 000	99 000
Assignment of receivables	1 003 605	1 238 501
Assignment of rights under insurance policy	47 603	41 586
Security deposits	18 002	20 140
Other liabilities	36 935	36 743
Total contingent liabilities	**2 086 653**	**2 269 969**

Contingent liabilities due to guarantees and sureties provided to other entities are mainly guarantees provided by the banks for the contracting parties of the Company as collateral of their claims in relation to the Company due to building contracts being executed (guarantee of good performance, removal of defects and damages, and reimbursement of advance payment). The banks are entitled to back claims against the Company. Promissory notes constitute another form of collateral of bank guarantees, as stipulated above.

Due to employment contracts signed with the employees and Members of the Management Board, as at June 30, 2016 the Company had contingent receivables in the amount of PLN 1,519 thousand (December 31, 2015: PLN 1,310 thousand). Furthermore, in case of breach of duties of a Manager as stipulated in the agreement on non-competition, the Manager will pay the Company, without any undue delay or termination notice or demand by the Company, liquidated damages as an equivalent of EUR 25,000 in PLN for each case of breach as well as and equivalent of EUR 1,000 in PLN for each day of breach in which such a breach occurs or is continued.

The conditional liabilities resulting from the signed employment contracts with its employees, as at June 30, 2016, amounted to PLN 6,146 thousand (December 31, 2015: 6,368 thousand).

Tax settlements and other areas of activity subject to regulations (e.g. matters related to customs or foreign currencies) may be audited by the administrative authorities which are authorized to impose high fines and sanctions. Lack of reference to the established legal regulations in Poland results in ambiguities and inconsistencies in the prevailing law. Frequent differences of opinion regarding legal interpretation of tax provisions, both within state authorities and between state authorities and companies, result in the emergence of areas of uncertainty and conflict. These phenomena mean that the tax risk in Poland is higher than the risk usually appearing in countries with a more developed fiscal system. Tax settlements may be audited for a period of five years, starting from the end of the year in which the tax was paid. As a result of conducted audits, additional tax liabilities may be added to the Company's previous tax settlements. The Company believes that as at June 30, 2016 adequate provisions were established for the identified and measurable tax risk.

The Company recognized as off-balance sheet operating lease the perpetual usufruct of land - in the amount of PLN 1,567 thousand - obtained free of charge on the basis of an administrative decision.

(data in PLN 000s, unless stated otherwise)

27. Transactions with related entities

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

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

Related entities	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:							
COMSA S.A.	1.01.16-30.06.16	-	973	-	-	-	-
	1.01.15-30.06.15	-	1 115	-	-	-	-
Joint venture:							
Bahn Technik	1.01.16-30.06.16	548	3 443	-	-	-	-
Wrocław Sp. z o.o.	1.01.15-30.06.15	315	1 974	-	-	-	-
Subsidiaries:							
PRK7 Nieruchomości Sp. z o.o.	1.01.16-30.06.16	11	18	85	-	602	-
	1.01.15-30.06.15	9	-	-	-	1 300	-
Torprojekt Sp. z o.o.	1.01.16-30.06.16	64	912	-	-	616	-
	1.01.15-30.06.15	73	525	-	-	302	-
AB Kauno Tiltai	1.01.16-30.06.16	1 489	-	-	-	22 617	-
	1.01.15-30.06.15	1 606	-	-	-	14 241	-
PEUiM Sp. z o.o.	1.01.16-30.06.16	161	297	-	-	1 309	-
	1.01.15-30.06.15	32	-	334	-	-	-
Dalba Sp. z o.o.	1.01.16-30.06.16	16	-	-	-	-	-
	1.01.15-30.06.15	17	-	-	-	-	-
AB Kauno Tiltai	1.01.16-30.06.16	-	1	-	-	-	-
Lenkijos skyrius	1.01.15-30.06.15	-	2	-	-	-	-
Total	**1.01.16-30.06.16**	**2 289**	**5 644**	**85**	**-**	**25 144**	**-**
	1.01.15-30.06.15	**2 052**	**3 616**	**334**	**-**	**15 843**	**-**

(data in PLN 000s, unless stated otherwise)

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

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders:					
COMSA S.A.	30.06.2016	-	974	-	-
	31.12.2015	-	1 011	-	-
Joint venture:					
Bahn Technik Wrocław Sp. z o.o.	30.06.2016	295	1 044	-	-
	31.12.2015	194	1 484	-	-
Subsidiaries:					
PRK7 Nieruchomości Sp. z.o.o.	30.06.2016	606	-	6 605	-
	31.12.2015	20	-	2 820	-
Torprojekt Sp. z o.o.	30.06.2016	640	128	-	-
	31.12.2015	10	1 131	-	-
AB Kauno Tiltai	30.06.2016	1 502	3	-	-
	31.12.2015	3 098	10 257	-	-
PEUiM Sp. z o.o.	30.06.2016	1 489	366	-	-
	31.12.2015	-	-	-	-
Dalba Sp. z o.o.	30.06.2016	17	-	-	-
	31.12.2015	-	-	-	-
AB Kauno Tiltai Lenkijos skyrius	30.06.2016	-	-	-	-
	31.12.2015	-	-	-	-
Total	**30.06.2016**	**4 549**	**2 515**	**6 605**	**-**
	31.12.2015	**3 322**	**13 883**	**2 820**	**-**

(data in PLN 000s, unless stated otherwise)

Trakcja PRKiI S.A. has signed with its shareholder COMSA S.A. an agreement concerning provision to Trakcja PRKiI S.A. of license including the complete technical know-how and trademark as well as sharing of intangible assets in the form of: competences, industry knowledge, expertise in the organizational, operational, commercial and technological field held by COMSA S.A. The agreement was concluded on market terms.

Trakcja PRKiI S.A. has concluded with its subsidiary AB Kauno Tiltai an agreement concerning the provision by the Issuer of support services for the subsidiary in the areas of financial, strategic and human resource management. Remuneration was set on market conditions as the costs incurred by the Issuer connected to the service + fixed margin.

28. Remuneration of Members of the Management Board and the Supervisory Board

Remuneration of the Management Board	For the period 6 months ended 30.06.2016		30.06.2015	
	In Parent Company	In subsidiaries	In Parent Company	In subsidiaries
Salaries and other current employee benefits	2 676	1 739	6 004	1 068
Post-employment benefits	-	-	380	-
Other long-term benefits	-	-	-	-
Benefits due to termination of employment	1 530	-	1 643	-
Share-based payment	-	-	-	-
Total	**4 206**	**1 739**	**8 027**	**1 068**

Remuneration of the Supervisory Board	For the period 6 months ended 30.06.2016		30.06.2015	
	In Parent Company	In subsidiaries	In Parent Company	In subsidiaries
Remuneration due to service in the Supervisory Board, salaries and other	143	262	219	214
Total	**143**	**262**	**219**	**214**

29. Events after the reporting period , which were not reflected in the financial statements for the first half of 2016

Significant events after the balance sheet date are presented in Note 45 of the condensed consolidated financial statements of Trakcja Group for the 6 months ended 30 June 2016.

Warsaw, August 30, 2016

Management Board:

Jarosław Tomaszewski	Nerijus Eidukevičius
President of the Board	Vice President of the Board
Marek Kacprzak	Paweł Nogalski
Vice President of the Board	Vice President of the Board

Sławomir Raczyński

Vice President of the Board

Financial Statements prepared by:

Elżbieta Okuła

Chief Accountant

TRAKCJA CAPITAL GROUP

REPORT ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2016

prepared on the basis of § 90 of the Regulation of the Minister of Finance dated February 19, 2009 on the current and periodic disclosures to be made by the issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2014 item 133, as amended)

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

TABLE OF CONTENTS

Any figures provided in this Report on the Activities of the Issuer Group were presented in thousands of Polish zlotys, unless explicitly stated otherwise. Financial information contained in this report has been prepared in accordance with the International Financial Reporting Standard 34 "Interim Financial Reporting" approved by European Union. This Report on the Activities of the Group does not include all information and disclosures required in the annual activity report and should be read together with the consolidated annual financial statements of the Group for the year ended December 31, 2015. We would like to draw special attention to the statements relating to the future (such as may, will, expect, believe, estimate), because they are based on certain assumptions that involve risks and uncertainties. The Group is therefore not liable for this information.

1. BUSINESS ACTIVITIES OF TRAKCJA CAPITAL GROUP

1.1. General information about the Group

The Group is one of the leading rail, tramway and road infrastructure construction entities in the Polish and Lithuanian market.

The main scope of activities of the Group is a comprehensive execution - by means of modern machines and equipment - of works related in the broad meaning with the railway infrastructure. The Group specializes in provision of engineering and construction services that include: design, construction and modernization of railway and tramway lines, red of railway and tramway electric traction and electroenergy lines as well as construction of bridges, viaducts, overpasses, culverts, tunnels, underpasses, retaining walls, roads and accompanying elements of railway and road infrastructure. Apart from that Trakcja Group can execute general construction works like site preparation, building and modernization of constructions as well as construction installations and finishing works. The important element of the offer is cubature construction both for railway infrastructure (buildings for traction substations, signal boxes, level crossings posts, railway stations, halls for trainsets and others) as well as for the general construction (houses and office buildings). Complementary services include construction of power systems and remote control systems. The Group's companies for more than seventy years have carried out complete comprehensive medium and high-voltage installations, in both new and modernized as well as renovated railway station power facilities. The Company performed the modernization of several thousand km of railways and electrified more than 10 000 km of railway lines, built and modernized over 450 traction substations and 380 track sectioning cabins.

In the road-construction sector the Group specializes in the construction and re-construction of roads, viaducts, highways, bridges, airports, water ports and installations of public utility infrastructure. AB Kauno Tiltai – a company belonging to the Group which is the largest construction infrastructure company in the Baltic countries - since it has started operations, has built more than 100 bridges and viaducts and was responsible for the construction and re-construction of many roads in the whole territory of Lithuania.

The main strengths of Trakcja PRKiI are the ability to execute comprehensive projects with own forces in all segments (track works, engineering objects, traction network), possessed backlog and:

- highly-qualified managers and customer-oriented staff,
- vast experience in professional and timely execution and coordination of works in line with the highest European standards,
- modern machines and equipment.

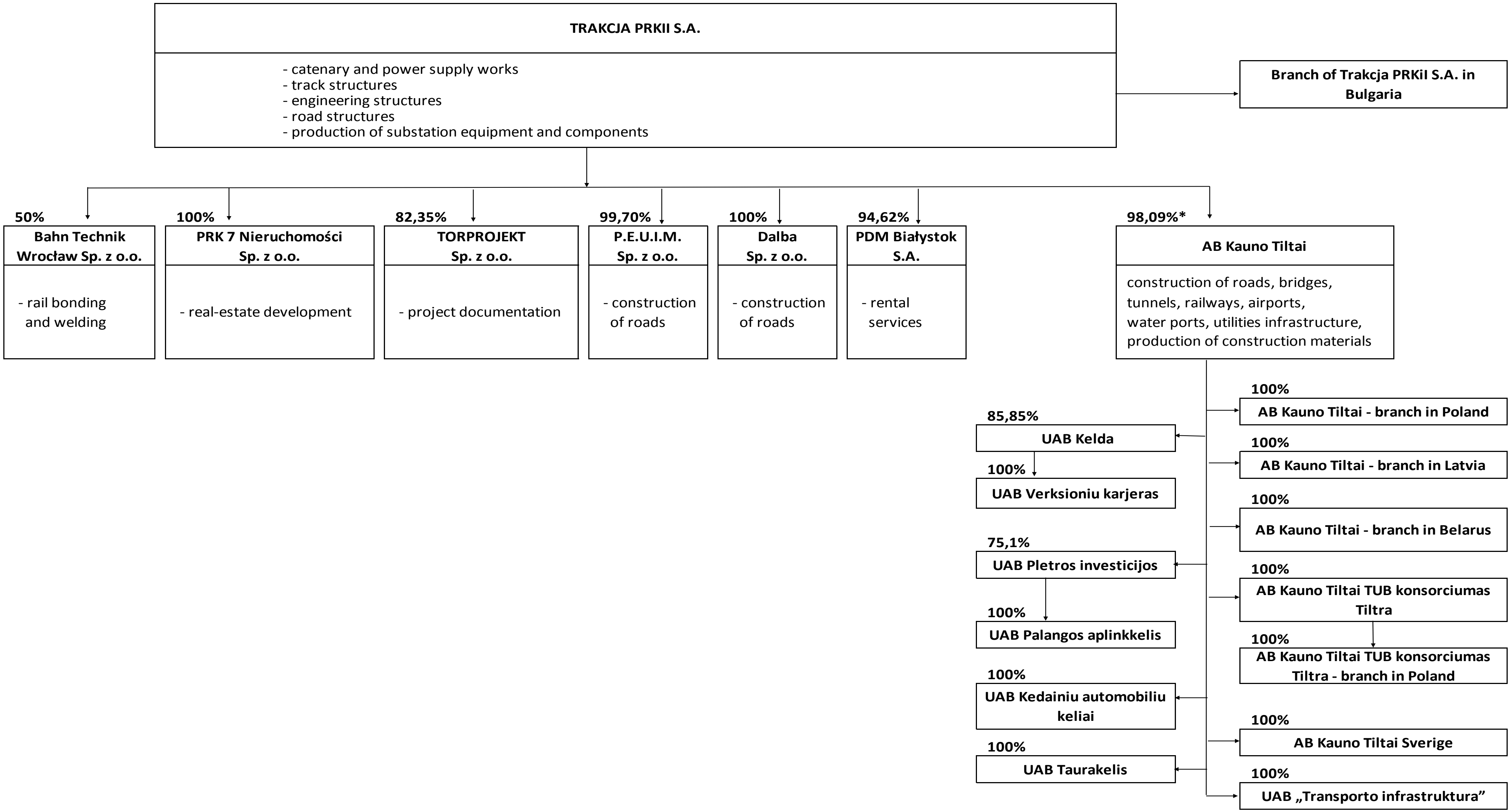
The Company has a competitive advantage over other companies and its position in the railway infrastructure market is stable and firm.

The long-standing market experience has allowed the Group to develop the project management techniques that guarantee execution of works entrusted to the Group which is timely, of quality and fully in line with the special requirements of the investors.

Many of the projects executed by the Company are financed, among others, from the European Union funds and the Polish government's subsidies. This means strict adherence to EU procedures which additionally influences the level of quality of the Company's services and products.

1.2. Capital Group

As at the balance sheet date, i.e. June 30, 2016, the Group's capital structure was as follows:



***)** *Trakcja PRKiI S.A. 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 own shares by a subsidiary.*

1.3. Changes in the Capital Group and their effects

In the I half of 2016 there were no changes in Trakcja Group's structure. On 29^{th} of March 2016 Trakcja PRKiI S.A. opened its branch in Bulgaria (Sofia).

1.4. Information about the major entities within the Capital Group

Main entities 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 includes, among other things: Lazurowe Osiedle residential project in Warsaw - stage I and II, the project at Oliwska Street in Warsaw and construction of three multifamily buildings in Warsaw at Pełczyńskiego Street. Currently, the Company is implementing a project consisting in construction of the terraced houses at Oliwska Street in Warsaw.

Torprojekt Sp. z o.o.

Torprojekt Sp. z o.o. with its registered office in Warsaw was established in 2009. The company specialises in preparing comprehensive project documentation, including feasibility studies, concept studies, 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.

AB Kauno Tiltai

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

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

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

Other companies consolidated within Trakcja Group

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

In addition, the Group a has joint control over Bahn Technik Wrocław Sp. z o.o. ("Bahn Technik", "BTW"), which has been classified as a joint venture and therefore is consolidated using equity method. The scope of business of BTW includes track works: welding, regenerating turnouts and track assembly. BTW operates in Poland.

1.5. Employment in the Group

	For the period 6 months ended	
	30.06.2016	**30.06.2015**
Average employement in the Capital Group during the period:		
Management Board of Parent entity	5	5
Management Boards of subsidiaries	14	14
Administration	213	236
Sales department	34	34
Production division	980	966
Other employees	744	672
Total	**1 990**	**1 927**

	30.06.2016	**31.12.2015**
Employement in the Capital Group as at reporting date:		
Management Board of Parent entity	5	5
Management Boards of subsidiaries	12	12
Administration	230	214
Sales department	100	97
Production division	937	882
Other employees	811	692
Total	**2 095**	**1 902**

1.6. Types of products and services

The scope of activities includes the following types of 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 as-built documentation,
- replacement of railway track substructure and superstructure by 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 by using trains for stream replacement of the network,
- renovation or complete reconstruction of civil engineering facilities: culverts, bridges, viaducts,
- construction of power supply systems for railway lines,
- comprehensive modernisation of railway crossings (crossings of roads with railway lines),
- reconstruction of the railway traffic control system,
- preparation of construction sites,
- construction of complete buildings or their parts,
- execution of construction installations, civil engineering works for tracks and roads,
- construction of overhead and underground power distribution lines,
- construction of railway and tram electric traction network and hydraulic engineering,
- comprehensive engineering works.

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

Within the auxiliary activities, the Company manufactures various types of industrial devices used for modernization of 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 assembly of substations and provision of power supply, selected equipment of the traction network.

Construction of buildings

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

- public utility buildings,
- industrial facilities.

Developer's business

The scope of activities of PRK 7 Nieruchomości Sp. z o.o. company, belonging to Trakcja Group, includes:

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

PRK 7 Nieruchomości Sp. z o.o. is involved in the performance of the following developer's investments: development of apartments and housing segments on the purchased lands.

Road infrastructure construction

Road infrastructure construction encompasses:

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

Other areas of activity

Other areas of activity encompass:

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

1.7. Key construction contracts

As at 30 June 2016, the order backlog of Trakcja Group was PLN 1,340 million (excluding the part of revenues allocated to consortium partners). In the first half of 2016, the companies within Trakcja Group signed construction contracts with the total value of PLN 243 million (excluding the revenues allocated to consortium partners). The current order backlog of Trakcja Group as at June 30,216 ensures the Group's full capacity utilisation in this financial year. The participation in new tenders in 2016 will allow the Group to secure its order backlog for future periods to an even greater extent.

Trakcja Group mainly performs rail and road contracts on Polish and Lithuanian markets. The equipment and human resources of the Group allows for the implementation of large contracts worth tens to hundreds of millions. The largest contracts currently being performed by the Group are presented in the following table:

No.	Name of contract	Contract's Value (mln PLN)	Work types
1.	Modernization of the railway line E30 / C-E30 on the section Kraków – Rzeszów, III stage (Podłęże - Bochnia)	625	rail works
2.	Modernization of the railway line E59 on the section Wrocław – Poznań, II stage (Wrocław - Dolnośląskie voivodeship section)	535	rail works
3.	Modernization of the railway line E30 / C-E30 on the section Kraków – Rzeszów, III stage (Dębica - Sędziszów Małopolski)	417	rail works
4.	Development of execution projects and execution of works for Warszawa Okęcie (railway line no 8)	360	rail works
5.	Moderniazation of the railway line on the section Warszawa - Łódź, II stage, (Łódź Widzew - Łódź Fabryczna)	336	rail works
6.	Modernization of the railway line E30 / C-E30 on the section Kraków – Rzeszów, III stage (Sędziszów Małopolski – Rzeszów Zachodni)	303	rail works
7.	Construction of the Trans-European network interchange - Vilnius western bypass Phase III	297	road works
8.	Design and construction of the expressway S-5, Szubin-Jaroszewo	286	road works
9.	Modernization of the E59 railway line on the section Wrocław - Poznań, III stage (Czempiń - Poznań)	159	rail works
10.	Expansion of the E67 (Via Baltica) section Kaunas - Marijampole	143	road works

Key contracts for construction services concluded by the companies within Trakcja Group in the first half of 2016 are presented below:

No.	Name of contract	Contract's Value (mln PLN)	Company	Work types
1.	Asphalt pavement repairs - Kauno city street	64	AB Kauno Tiltai	road works
2.	Modernization of 16 engineering facilities on railway line no 4 - Biała Rawska - Strzałki	19	Trakcja PRKiI S.A.	rail works
3.	Skuodo, Marijampole and Fork districts - gravel works	18	AB Kauno Tiltai	road works
4.	Birštonas and Prienai districts - gravel works	16	AB Kauno Tiltai	road works
5.	Reconstruction of two level intersections with railway. Marijampolė Armino street.	13	AB Kauno Tiltai	road works
6.	Repair of track no 2 railway line 47 Warszawa Śródmieście WKD - Komorów WKD	13	Trakcja PRKiI	rail works
7.	Alytus - gravel works	8	AB Kauno Tiltai	road works
8.	Phase I of the street reconstruction works: Chemists g. , A. Kulviečio g. , February 16th street	7	AB Kauno Tiltai	road works
9.	Other	86	-	different
	RAZEM	**243**		

In addition, in 2016 the Parent Company concluded the following significant annexes:

- annex to the agreement for the design and implementation of the construction works at the Kraków – Medyka – national border railway line in the Sędziszów Małopolski – Rzeszów Zachodni section at 133,600 – 154,900 km under the project entitled "E 30/C-E 30 railway line modernisation in the Kraków – Rzeszów section, stage III". Under the annex, the deadline for the completion of works was extended to May 28, 2016.

After the balance sheet date and before the date of publication of the half-yearly report, the Group has not signed any other material agreements and annexes.

1.8. Strategy and development of Trakcja Group

Trakcja Group continues its actions aiming at further improvement of the Group's results by applying the following strategic guidelines:

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

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

The strategic objectives for the individual 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 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.

The primary objective of the financial management area of Trakcja 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.

2. CURRENT AND FORECASTED SITUATION OF TRAKCJA CAPITAL GROUP

2.1. Description of factors and events that had a significant impact on the financial results for the I half of 2016

2.1.1. *Overview of profit and loss account*

CONSOLIDATED PROFIT & LOSS ACCOUNT 1.01.2016-30.06.2016	1.01.2016 - 30.06.2016 Unaudited	1.01.2015 - 30.06.2015 Unaudited	Change	Change %
Sales revenues	478 829	564 772	(85 943)	-15%
Cost of goods sold	(422 482)	(500 592)	78 110	-16%
Gross profit on sales	**56 347**	**64 180**	**(7 833)**	**-12%**
Cost of sales, marketing and distribution	(3 312)	(3 368)	56	-2%
General and administrative costs	(29 238)	(35 371)	6 133	-17%
Other operating revenues	4 684	1 864	2 820	151%
Other operating costs	(2 613)	(3 636)	1 023	-28%
Share of profit (losses) of joint venture	(684)	(89)	(595)	669%
Operating profit	**25 184**	**23 580**	**1 604**	**7%**
Financial revenues	2 277	4 544	(2 267)	-50%
Financial costs	(4 943)	(5 995)	1 052	-18%
Gross profit	**22 518**	**22 129**	**389**	**2%**
Income tax	(3 855)	(4 037)	182	-5%
Net profit for the period	**18 663**	**18 092**	**571**	**3%**

In the first half of the year 2016, Trakcja Group generated sales in the amount of PLN 478,829 thousand, which is a decrease by 15 per cent in comparison with the analogous period of the preceding year. The main reason for the decrease in Group's sales is the reduction in sales of the Parent Company due to the delay of investments that were to occur in the previous and current EU financial framework. This resulted in delays in calling for tenders by PKP PLK for the construction of railway infrastructure. Cost of sales in the period of 6 months in 2016 decreased by 16 per cent and amounted to PLN 422,482 thousand.

The gross profit on sales of the Group in the first half of the year 2016 reached PLN 56,347 thousand and was 12 per cent lower than the profit in the comparable period. In the discussed period, the gross margin on sales amounted to 11.8%, whereas in the analogous period of 2015 it reached 11.4%.

The costs of sales, marketing and distribution were at PLN 3,312 thousand and were lower by 2% than in the comparable period. The general and administrative costs amounted to PLN 29 238 thousand and increased by 17 per cent in comparison with the first half of the preceding year due to the personnel restructuring process.

Other operating income for the 6 months of 2016 was PLN 4,684 thousand and increased by PLN 2,820 thousand compared to the comparable period due to the recognition in the first half of 2016 of more profit from the sale of non-financial fixed assets by PLN 2,024 thousand, and the release of the provision in the amount of PLN 705 thousand. Other operating costs amounted to PLN 2,613 thousand and were lower by PLN 1,023 thousand in relation to the costs of the first half of the preceding year.

The operating profit was PLN 25,184 thousand and was higher by 7 per cent, i.e. by PLN 1,604 thousand in comparison with the analogous period in the preceding year, in which the profit amounted to PLN 23,580 thousand.

In the first half of 2016 the Group achieved financial revenues of PLN 2,277 thousand, which were lower by 50% in comparison with the analogous period of the preceding year. It mainly resulted from the recognition of lower income from discount by PLN 848 thousand, which concerns a financial asset under a concession-based contract, and a decrease in interest income by PLN 465 thousand. Finance costs decreased in the discussed period by 18 per cent and amounted to PLN 4,943 thousand. The decrease in finance costs was mainly due to lower interest expense due to the reduction in demand for net working capital.

In the discussed period, the Group recorded gross profit in the amount of PLN 22,518 thousand, which was higher by PLN 389 thousand, i.e. by 2 per cent in relation to the first half of 2015.

The income tax in the first half of the year 2016 was PLN 3,855 thousand and was lower in comparison with the analogous period in the preceding year by PLN 182 thousand.

The net profit of the Group for the first half of 2016 was 18,663 thousand PLN and was higher by PLN 571 thousand in relation to the result from the first half of 2015.

In the first half of the year 2016, the net profit margin reached the level of 3.9 per cent, while in the first half of the year 2015 it was 3.2 per cent.

2.1.2. Overview of balance sheet

The following table presents main items of the consolidated balance sheet of Trakcja Group as for June 30, 2016 in comparison with the balance sheet as for December 31, 2015:

CONSOLIDATED ASSETS	**30.06.2016 Unaudited**	**31.12.2015 Modified**	**Change**	**Change %**
Non-current assets	**695 301**	**683 214**	**12 087**	**2%**
Tangible non-current assets	200 475	194 232	6 243	3%
Intangible assets	56 074	56 603	(529)	-1%
Goodwill from consolidation	341 106	334 718	6 388	2%
Investment properties	21 989	21 976	13	0%
Investments in joint ventures	13 454	14 140	(686)	-5%
Investments in other units	26	25	1	4%
Other financial assets	46 948	45 564	1 384	3%
Deferred tax assets	9 679	9 715	(36)	0%
Construction contracts	3 263	2 527	736	29%
Prepayments	2 287	3 714	(1 427)	-38%
Current assets	**639 628**	**623 143**	**16 485**	**3%**
Inventory	110 845	84 828	26 017	31%
Trade and other receivables	438 669	246 864	191 805	78%
Other financial assets	9 740	14 830	(5 090)	-34%
Cash and cash equivalents	44 810	251 435	(206 625)	-82%
Prepayments	9 820	8 961	859	10%
Construction contracts	25 744	16 225	9 519	59%
Total assets	**1 334 929**	**1 306 357**	**28 572**	**2%**

As for 30 June 2016, the balance sheet total of Trakcja Group was PLN 1,334,929 thousand and increased by PLN 28,572 thousand in comparison with the balance at the end of 2015, which constitutes increase by 2 per cent.

Fixed assets as of 30 June 2016 amounted to PLN 695,301 thousand and increased by PLN 12,087 thousand. This increase resulted from the increase in tangible fixed assets by PLN 6,243 thousand and the goodwill from the consolidation by PLN 6,388 thousand. Tangible fixed assets increased due to the acquisition of fixed assets, and the goodwill from consolidation increased by exchange rate differences.

As for 30 June 2016, the current assets amounted to PLN 639,628 thousand and increased by PLN 16,485 thousand, which constitutes increase by 3 per cent in comparison with the balance for 31 December 2015. The said increase mainly results from the increase in the value of trade payables and other payables by the amount of PLN 191,805 thousand. The level of cash and cash equivalents decreased by PLN 206,625 thousand due to the receipt of payments from PKP PLK and the Lithuanian Railways at the end of 2015 and thus the settlement with the consortium partners and subcontractors. Additionally, the Group were paying current liabilities to business partners in the first half of 2016 years. Inventories increased by 31%, i.e. by 26,017 thousand compared to the balance as of 31 December 2015.

CONSOLIDATED LIABILITIES	30.06.2016 Unaudited	31.12.2015 Modified	Change	Change %
Equity attributable to shareholders of parent entity	**733 635**	**722 341**	**11 294**	**2%**
Share capital	41 120	41 120	-	0%
Share premium account	309 984	309 984	-	0%
Revaluation reserve	6 178	6 178	-	0%
Other capital reserves	331 667	299 785	31 882	11%
Retained earnings	18 153	50 203	(32 050)	-64%
Foreign exchange differences on translation of	26 533	15 071	11 462	76%
Non-controlling interests	3 466	3 950	(484)	-12%
Total equity	**737 101**	**726 291**	**10 810**	**1%**
Total liabilities	**597 828**	**580 066**	**17 762**	**3%**
Long-term liabilities	**121 397**	**120 910**	**487**	**0%**
Interest-bearing bank loans and borrowings	78 959	89 494	(10 535)	-12%
Provisions	18 754	9 202	9 552	104%
Liabilities due to employee benefits	11 280	11 737	(457)	-4%
Provision for deferred tax	5 047	5 549	(502)	-9%
Detrivative financial instruments	7 308	4 862	2 446	50%
Other financial liabilities	49	66	(17)	-26%
Short-term liabilities	**476 431**	**459 156**	**17 275**	**4%**
Interest-bearing bank loans and borrowings	30 046	21 625	8 421	39%
Trade and other liabilities	311 756	288 100	23 656	8%
Provisions	18 724	23 690	(4 966)	-21%
Liabilities due to employee benefits	13 135	10 894	2 241	21%
Income tax liabilities	1 208	5 167	(3 959)	-77%
Detrivative financial instruments	1 019	981	38	4%
Other financial liabilities	-	148	(148)	-100%
Accruals	479	219	260	119%
Construction contracts	97 810	108 223	(10 413)	-10%
Advances received towards flats	2 254	109	2 145	1968%
Total equity and liabilities	**1 334 929**	**1 306 357**	**28 572**	**2%**

In the first half of the year 2016 the total value of equity increased by PLN 10,810 thousand in comparison with the balance as of 31 December 2015 and amounted to PLN 737,101 thousand. This increase was mainly due to the achievement of the net profit of PLN 18,663 thousand for the first half of 2016. Pursuant to the resolution of the General Meeting dated 16 June 2016, the result of the Parent Company for 2015 was allocated in the amount of PLN 17,476 thousand for the payment of dividend.

As for 30 June 2016, the long-term liabilities amounted to PLN 121,397 thousand and slightly increased in comparison with the balance as of the end of 2015.

As of 30 June 2016, the short-term liabilities amounted to PLN 476,431 thousand and increased by PLN 17,275 thousand, i.e. by 4% in comparison with the status as of the end of the preceding year. This increase was mainly due to the increase in trade liabilities and other liabilities by PLN 23,656 thousand to the level of PLN 311,756 thousand. The Group recorded an increase in short-term interest-bearing loans and credits by PLN 8,421 thousand to the level of PLN 30,046 thousand. Moreover, as of 30 June 2016 the Group had no factoring liabilities posted as other financial liabilities.

2.1.3. Overview of cash flow statement

The following table presents main items of the consolidated cash flow statement of Trakcja Group for the periods ended on June 30, 2016 and June 30, 2015:

CONSOLIDATED CASH FLOW ACCOUNT	1.01.2016 - 30.06.2016 Unaudited	1.01.2015 - 30.06.2015 Unaudited	Change	Change %
Cash at start of period	**251 317**	**57 638**	**193 679**	**336%**
Net cash flows from operating activities	(196 325)	16 245	(212 570)	-1309%
Net cash flows from investment activities	(708)	(7 476)	6 768	-91%
Net cash flows from financial activities	(11 910)	(42 633)	30 723	-72%
Total net cash flows	**(208 943)**	**(33 864)**	**(175 079)**	**517%**
Cash at end of period	**42 374**	**23 774**	**18 600**	**78%**

In the first half of 2016, the net cash flow balance due to operating activities was negative and amounted to PLN 196,325 thousand. The balance decreased in relation to the analogous period of the preceding year by PLN 212,570 thousand. Net cash from investment activities showed in the first half of 2016 the negative balance in the amount of PLN 708 thousand, which was reduced by PLN 6,768 thousand.

The net cash flow balance due to financial activities in the first half of the year 2016 was negative and amounted to PLN 11,910 thousand. The balance decreased in comparison with the balance as at the end of the first half of 2015 by PLN 30,723 thousand.

The Group commenced the year 2016 with funds in the amount of PLN 251,317 thousand and ended the first half of 2016 with cash balance stated in the consolidated cash flow in the amount of PLN 42,374 thousand. The total net cash flows in the discussed period were negative and amounted to PLN 208,943 thousand. The reason for the decrease in cash and cash equivalents was the receipt of payments from PKP PLK and the Lithuanian Railways at the end of 2015 and the payment of liabilities to business partners in the first half of 2016.

2.1.4. Overview of profitability ratios

Sales profitability ratios illustrate the relationship between sales and costs and their impact on the size of the profit. The level of these ratios determine the ability to generate profits from sales.

Profitability ratios in the I half of 2016 compared to the I half of 2015 reported an increase.
Gross margin on sale increased by 0,4 pp in the I half of the year 2016 in relation to the analogous period of the preceding year and amounted to 11,8 per cent. The operating profit increased by depreciation and amortization amounted to PLN 36,605 thousand and increased by PLN 794 thousand in comparison with the I half of the year 2015. EBITDA margin increased by 1,3 pp and reached the level of 7,6 per cent. The operating profit margin increased by 1.1 pp and reached the level of 5,3 per cent. The net profit margin in the discussed period reached 3.9 per cent and was higher by 0.7 pp than the margin in the comparable period.

The return on equity – ROE - decreased by 0.1 pp in relation to the comparable period and amounted to 2.5 per cent. The return on assets – ROA - amounted to 1.4 percent and was higher by 0.1 pp than the analogous ration in the preceding year.

PROFITABILITY RATIOS	1.01.2016 - 30.06.2016 Unaudited	1.01.2015 - 30.06.2015 Unaudited	Change	Change %
Gross sales profit margin	11,8%	11,4%	0,4%	3,52%
EBITDA	36 605	35 811	794	2,22%
EBITDA profit margin	7,6%	6,3%	1,3%	20,50%
Operating profit margin	5,3%	4,2%	1,1%	26,35%
Net profit margin	3,9%	3,2%	0,7%	100,00%
Return on equity (ROE)	2,5%	2,6%	-0,1%	-3,89%
Return on assets (ROA)	1,4%	1,3%	0,1%	7,95%

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

Gross profit margin on sales = gross profit on sales / revenue on sales
EBITDA = operating profit + depreciation and amortization
EBITDA margin = (operating profit + depreciation and amortization) / sales revenue
Operating profit margin = operating profit / sales revenue
Net profit margin = net profit / sales revenue

Annualized return on equity (ROE) = double net profit attributable to shareholders of a Parent company / average equity attributable to shareholders of a Parent company in the period of six months
Annualized return on assets (ROA) = double net profit attributable to shareholders of a Parent company / average assets in the period of six months

2.2. Evaluation of financial resources management

As at the end of the I half of the year 2016 Trakcja Group held PLN 42,374 thousand of cash and cash equivalents while the total debt including credits, loans, financial leasing, bonds and factoring amounted to PLN 109,005 thousand. The Group maintains a safe level of both external financing and financial liquidity.

2.2.1 Liquidity ratios

Working capital in Trakcja Group as at June 30, 2016 amounted to PLN 163,676 thousand and was lower by PLN 530 thousand than the working capital as at the end of 2015.

The liquidity ratios as at June 30, 2016 are satisfactory and ensure a stable paying situation of the Group. The current liquidity ratio as at the end of the I half of 2016 amounted to 1,34 and decreased by 0.02 pp in relation to the ratio level as at end of the year 2015. The quick liquidity ratio was of 1.04 and decreased by 0.13 pp in comparison with the ratio as at the end of 2015. The cash liquidity ratio of 0,09 informs that the Group would be able to repay immediately 9 per cent of its current liabilities.

LIQUIDITY RATIOS	30.06.2016 Unaudited	31.12.2015 Modified	Change	Change %
Working capital	163 676	164 206	-530	-0,32%
Current ratio	1,34	1,36	-0,02	-1,47%
Quick ratio	1,04	1,17	-0,13	-11,09%
Cash ratio	0,09	0,55	-0,46	-84,00%

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

Working capital = current assets - current liabilities + accruals
Current liquidity ratio = current assets / current liabilities
Quick liquidity ratio = (current assets - inventory - prepaid expenses - construction contracts from assets) / current liabilities
Cash liquidity ratio = cash and cash equivalents / current liabilities

2.2.2 Financing structure ratios

The Group monitors the capital structure by using the financing structure ratios. Ratios analyzed by the Group, presented in the below table, allow to maintain both good credit rating and confirm that capital structure supports the operating activities of the Group.

Equity to assets ratio increased in the period of 6 months ended on June 30, 2016 reached the level of 0.55. The value of the equity to non-current assets ratio increased from 1.03 as at the end of 2015 to 1.06 as at June 30, 2016. In the I half of the year 2016 the total debt ratio was equal to 0.45. This means that the company's assets are financed in 45 per cent by third party sources (liabilities). The debt to equity ratio also decreased from 0.84 as at the end of 2015 to 0.82 in the I half of the year 2016.

FINANCING STRUCTURE RATIOS	30.06.2016 Unaudited	31.12.2015 Modified	Change	Change %
Equity to assets ratio	0,55	0,54	0,01	1,84%
Equity to non-current assets ratio	1,06	1,03	0,03	2,92%
Debt ratio	0,45	0,46	-0,01	-2,19%
Debt to equity ratio	0,82	0,84	-0,02	-2,39%

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

Equity to assets ratio = equity attributable to shareholders of a Parent company / total assets
Equity to non-current assets ratio = equity attributable to shareholders of a Parent company / non-current assets
Total debt ratio = (total assets - equity attributable to shareholders of a Parent company) / total assets
Debt to equity ratio = (total assets - equity attributable to shareholders of a Parent company) / equity attributable to shareholders of a Parent company

Trakcja Group has had well-developed relationship with banks and insurance companies in order to provide an adequate level of funding as well as bank and insurance guarantees that ensure execution of the planned construction contracts.

As at June 30, 2016 Trakcja Group's companies had external debt from loans, credits and other external sources of finance, including financial leasing, which amounted to PLN 109,005 thousand. The Group's working capital needs are the highest in the II and III quarter which is typical for the construction industry. At the balance sheet date, the Group's entities had available bank overdraft and revolving credit limit equal to PLN 188 million, which secures Trakcja Group's stable financing the current contract activity.

The Group uses numerous bank products and the various sources of financing (bank overdrafts, loans, bonds, factoring, financial leasing) in order to minimize financial costs and optimize the financial liquidity management.

Contracts and annexes signed by Trakcja Group in the first half of 2016 have been described in note 2.2.3 of this report.

The Group has had signed agreements concerning guarantees: bid bond (deposits), advance payment refund guarantees, good performance of the trade agreement, removal of defects during the warranty period, as well as to ensure timely payment of claims. The total value of the available guarantee lines as at June 30, 2016 amounted to PLN 809 million. As at June 30, 2016 the use of guarantee line amounted to PLN 539 million. The Group's availability of guarantee funding - which is necessary for the acquisition and execution of contracts - is the Group's important competitive advantage on the infrastructure construction market.

2.2.3 Bank credits and loans

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

Company name	Lender	Type of loan/credit	Amount in agreement currency (in ths. PLN)	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	PKO BP S.A.	working capital	44 000	PLN	03.07.2016	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	mLeasing	investment	22 400	PLN	16.09.2019	WIBOR 1M + margin	15 431
Trakcja PRKiI S.A.	mBank S.A.	overdraft	20 000	PLN	28.04.2017	WIBOR O/N + margin	-
Trakcja PRKiI S.A.	mBank S.A.	working capital	50 000	PLN	28.04.2017	WIBOR 1M + margin	-
AB Kauno Tiltai	Nordea Dnb	working capital	14 000	EUR	31.08.2017	EURIBOR 3M + margin	5
AB Kauno Tiltai	Nordea	working capital	2 000	EUR	30.06.2017	EURIBOR 1M + margin	3 598
AB Kauno Tiltai	Dnb	working capital	2 000	EUR	30.06.2017	EURIBOR 3M + margin	3 638
AB Kauno Tiltai	Nordea Dnb	investment	3 339	EUR	01.04.2017	EURIBOR 3M + margin	7 399
AB Kauno Tiltai	Nordea Dnb	working capital	2 000	EUR	14.01.2020	EURIBOR 3M + margin	7 081
UAB Palangos aplinkkelis	SEB Bank	project purpose loans	8 500	EUR	31.05.2028	EURIBOR 3M + margin	36 178
UAB Pletros investicijos	Šiaulių plentas UAB	loan from other entities	363	EUR	31.12.2028	fixed interest rate	1 232
						Total	**74 562**

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

The total liability of the Group due to incurred credits and loans as of 30 June 2016 amounts to PLN 74,562 thousand, including PLN 22,830 thousand constitutes investment liabilities, the amount of PLN 14 322 concerns current liabilities, the amount of PLN 36,178 thousands covers a special-purpose credit earmarked for the project and a loan from a third party amounting to PLN 1,232 thousand.

Moreover, pursuant to signed agreements as at 30 June 2016, the Group had unused credit limits in the current account and revolving credits in the total amount of PLN 188 million.

Loans and credits taken in 2016

In the period covered by this report, Trakcja Group's companies signed contracts for the following obligations of credit or loans.

The Parent Company signed the following agreements:

- an amendment to the agreement with mBank S.A. concerning an overdraft facility for PLN 20,000 thousand with the repayment date until 28 April 2017 and interest rate at WIBOR O/N plus margin;

In addition, Trakcja PRKiI has concluded agreements and amendments on the limits for facilities of a guarantee nature:

- amendment to the agreement regarding the limit for facilities of a guarantee nature with KUKE S.A. , amounting to PLN 40,000 thousand. Pursuant to the amendment, the term was set as indefinite time;

- amendment to the agreement regarding the limit for facilities of a guarantee nature with Credit Agricole S.A. , amounting to PLN 60,000 thousand. The last day for using the limit shall be 30 August 2016.

- amendment to the agreement regarding the limit for facilities of a guarantee nature with InterRisk S.A. , amounting to PLN 40,000 thousand. The last day for using the limit shall be 30 April 2017.

- amendment to the agreement regarding the limit for facilities of a guarantee nature with HSBC Bank Polska S.A., amounting to PLN 70,000 thousand. Under the amendment, the bank guarantee availability period was extended until 30 September 2016.

- agreement on the cooperation in granting insurance guarantees within the granted guarantee limit concluded with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A. Pursuant to the Agreement, a renewable maximum exposure limit of PLN 150,000 thousand was established.

- amendment to the agreement on contract insurance guarantees entered into with Powszechny Zakład Ubezpieczeń S.A. amounting to PLN 150 000 thousand. Under the amendment, the term was extended until 20 January 2017.

- agreement regarding the limit for facilities of a guarantee nature with mBank S.A. , amounting to PLN 100,000 thousand. The last day for using the limit shall be 28 April 2017.

- agreement regarding the limit for facilities of a guarantee nature with Uniqa Towarzystwo Ubezpieczeń S.A., amounting to PLN 30,000 thousand. The last day for using the limit shall be 14 June 2017.

- agreement regarding the limit for facilities of a guarantee nature with Alior Bank S.A., amounting to PLN 50,000 thousand. The last day for using the limit shall be 01 June 2017.

- agreement regarding the limit for facilities of a guarantee nature with ING Bank Śląski S.A., amounting to PLN 40,000 thousand. The last day for using the limit shall be 31 December 2016.

- agreement regarding the limit for facilities of a guarantee nature with Axa TUiR S.A. , amounting to PLN 42,000 thousand. The last day for using the limit shall be 31 May 2017.

- agreement regarding the limit for facilities of a guarantee nature with Towarzystwo Ubezpieczeń Europa S.A., amounting to PLN 30,000 thousand. Pursuant to the agreement, the term was set as indefinite time.

Credit and loan agreements terminated in year 2016

During year 2016 the Group did not terminate credit and loan agreements.

2.2.4 Cash flow hedges and the use of hedge accounting

Hedge accounting is not applied by the Polish companies belonging to Trakcja Group, but it is used by the Lithuanian part of Trakcja Group, i.e. the companies of the AB Kauno Tiltai group - AB KaunoTiltai and UAB Palangos aplinkkelis.

On 5 June 2013 the subsidiary of the Issuer, i.e. UAB Palangos aplinkkelis concluded an interest rate swap (IRS) to secure future cash flows due to planned interest payments on the term loan. Pursuant to the agreement, the company is a payee of amounts according to a fixed rate, whereas the bank is a payee of amounts according to a variable rate. The date of expiry of the hedging relationship was set at 31 May 2028.

On 8 and 14 October 2015, the subsidiary of the Issuer, i.e. AB Kauno Tiltai entered into two interest rate swap (IRS) transactions to secure future cash flows due to planned interest payments on the term loan. Pursuant to the agreement, the company is a payee of amounts according to a fixed rate, whereas the bank is a payee of amounts according to a variable rate. The date of expiry of the hedging relationships was set at 14 January 2020.

The fair value of the IRS contracts is calculated as the current value of estimated future cash flows based on the observation of income curves. The technique of fair value valuation was not changed within the first half-year of 2016.

As at 30 June 2016, the influence of the valuation of the above hedging instruments on long-term liabilities was PLN 2,484 thousand, and the influence on total income was negative and amounted to PLN 1,895 thousand.

The Group carried out in the first half of 2016 the assessment of effectiveness of IRS hedging transactions. During the reporting period, the hedge on the interest rate change was highly effective, therefore no ineffective part due to IRS valuation has been identified or recognized in the profit and loss statement.

Other derivatives

During the reporting period, the Group did not enter into new interest rate swap (IRS) contracts and did not enter into derivative contracts for speculative purposes. Except for the above IRS instruments, the Group did not apply hedge accounting in the reporting periods covered by the report, and due to the fact that the Group is not a party to other contacts on derivatives during the period covered by this report, and no derivative financial instruments were valued at fair value by the profit and loss account.

The Group classifies financial derivative instruments at Level 2 of the fair value hierarchy. During the first half of 2016, there were no transfers between levels 1, 2 and 3. Details concerning level classification are presented in Note 38 to the condensed interim financial report for the period of 6 months ended June 30, 2016.

2.3. The position of the Management Board on previously published forecasts of the financial results of Trakcja Capital Group

Trakcja Group did not publish any financial forecasts for 2016.

2.4. Events after the balance sheet date

Between the balance sheet date and the date of publishing these condensed consolidated financial statements of Trakcja Group, i.e. until August 30, 2016 no material events occurred.

2.5. Description of factors significant for the Capital Group's results in the horizon of at least 6 next months

Below have been presented key factors, which in the opinion of the Management Board have - or will have - impact on the Group's activities in the near future.

The most important factors that have impact on financial results of the Capital Group include:

- The ability to win new construction contracts, which is – taking into consideration the profile of the Group's activities - determined by the level of expenditures on the rail and tram infrastructure in Poland and Lithuania.
- The accuracy of estimating the costs of implemented projects that has direct impact on decisions concerning the tender-participation strategy, the valuation of contracts for tenders and finally the margins generated on the contracts. The accuracy of estimation of cost budgets for contracts depends on the methodological and external factors such as changes in prices of materials and services rendered by subcontractors.
- The Central Bank's monetary policy resulting in the changes in interest rates. To finance planned acquisitions, the 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 customers. A customers' default may lead to the deterioration of the financial liquidity of the 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 including 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,
- 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 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 credit rating of Trakcja Group,
- Change in the level of debt of Trakcja Group,
- Sale or acquisition of assets by Trakcja Group,
- Material changes in the ownership structure of Trakcja Group,
- Changes of forecasts and recommendations of the capital market analysts regarding Trakcja PRKiI, its competitors, partners and sectors of the economy in which the Group is active.

2.6. Information material for the assessment of the personnel assets, financial standing and the financial result of the Group and their changes and for the assessment of the Group's ability to fulfill its obligations

Apart from the information contained in these condensed consolidated financial statements and in the report on the Capital Group's activities in the first half of the year 2016 there is no other information material for the assessment of the personnel assets, financial standing and the financial result of the Group and their changes or for the assessment of the Group's ability to fulfill its obligations.

3. INFORMATION ABOUT SHARE AND SHAREHOLDERS

3.1. Shareholding structure

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

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	15 843 193	30,82%	15 843 193	30,82%
ING OFE	5 111 908	9,95%	5 111 908	9,95%
OFE PZU	4 349 650	8,46%	4 349 650	8,46%
Other	26 094 797	50,77%	26 094 797	50,77%
Total	**51 399 548**	**100,00%**	**51 399 548**	**100,00%**

From the date of publication of the last quarterly report, i.e. May 16, 2016, the ownership structure of the significant Issuer's shareholdings has not changed.

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

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

First name and surname	Function	Number of shares	Shares nominal value	% in the shareholding
Nerijus Eidukevičius	Vice-President of the Management Board	328 271	262 617	0,639%

From the date of publication of the last quarterly report, i.e. from May 16, 2016, there were no changes in the number of the Company's shares held by its managing and supervising persons.

4. TRANSACTIONS WITH RELATED ENTITIES

In the I half of 2016, all transactions entered by the Group were concluded on market terms. Information on the Group's transactions with the affiliated entities have been presented in Note 51 to these enclosed condensed consolidated financial statements.

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

In the I half of year 2016, the Issuer and its subsidiaries did not grant loan guarantees or any other guarantee to a single entity or its subsidiaries whose total value of existing guarantees would equal to at least 10% of the equity of the Issuer.

6. MATERIAL LITIGATIONS AND DISPUTES

As at 30 June 2016, the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authority, the value of which separately would be at least equivalent to 10% of the equity of Trakcja PRKiI S.A. The Company also informs that the total value of proceedings concerning the Company's claims and liabilities is at least 10 % of the Company's equity. The total value of the proceedings concerning the Company's claims is PLN 61,160,780.53 and the total value of the proceedings concerning the Company's liabilities is PLN 5,414,564.74.

The most significant proceedings concerning claims:

The case concerning claims against Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej in Warsaw (as of the commencement date of the proceedings, the case value exceeded 10 % of the Company's equity)

Trakcja S.A. in Warsaw merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja PRKiI S.A. in Warsaw. In connection with the announcement by the District Court for Warsaw – Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (hereinafter referred to as the "PNI") with a possibility of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław submitted a statement of claims of 20 November 2012 to the bankruptcy court. The statement covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the bankruptcy announcement date, as well as the accrued contractual penalties.

According to the Company's knowledge, a list of claims towards PNI was prepared. Claims of Trakcja PRKiI S.A. were accepted in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 due to unpaid invoices and PLN 294,632.29 due to interest for delay in payment. The receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were refused to be accepted. The Company does not agree with the refusal to accept the aforementioned part of claims; therefore, an objection was submitted to the judge commissioner concerning the refusal in the aforementioned scope. The court had rejected the objection, therefore the Company filed a complaint which was overruled. On 8 June 2015, the Company received a notice from the trustee in bankruptcy on the change of bankruptcy procedure from arrangement bankruptcy to liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

The most significant proceedings concerning liabilities:

Case initiated by Eiffage Polska Koleje Sp. z o.o. with its registered office in Warsaw

Eiffage Polska Koleje Sp. z o.o. based in Warsaw filed on 15 May 2015 a suit for payment for the amount of PLN 1,634,833.00 against Trakcja PRKiI S.A. seeking compensation for additional costs incurred within the prolonged term of the Agreement. The Company filed a response to the suit, and now the case is pending. It is difficult to predict the date of closing the case.

Other proceedings:

Submission of claims to the bankruptcy estate of Projekt-Bud Sp. z o.o. based in Warsaw

The Company informs that on 10 March 2015, by the decision of the District Court of the City of Warsaw in Warsaw, Projekt-Bud Sp. z o.o. ("the Bankrupt") was declared bankrupt with the possibility of an arrangement. The Company submitted its claims against the Bankrupt in total amount of PLN 9,708,613.62. The total amount of lodged claims comprised claims under lease of locomotives and wagons, equipment rental, sales contracts, performed works and the contractual penalty charged against the Bankrupt. On 31 December 2015, PKP PLK made a direct payment of PLN 7,382 827.30. In view of the above, as of the date of approval of these financial statements, the Company's claim against the Bankrupt was PLN 2,325,786.32.

Apart from the proceedings specified above, which are included in the amounts stated at the beginning of the note, there are also other disputes pending within the Group:

PRK 7 Nieruchomości Sp. z o.o.

A case filed by Osiedle Lazurowe Commonhold against the company for the payment of PLN 700,466.50 together with interest from the date of filing the suit to the date of payment, is pending before the Regional Court in Warsaw. The

Company is questioning the claims contained in the lawsuit, therefore the Company submitted a response to the lawsuit. In 2015, a provision to cover this amount was created. The case is pending and its resolution date is difficult to predict.

AB KaunoTiltai

Investor AB Lietuvos geležinkeliai filed a lawsuit against the Consortium, subsidiary AB Kauno tiltai is a member of, for a total sum of PLN 66,336,281.54 (EUR 14,989,556.33). The investor brought a claim against AB Kauno Tiltai to charge a contractual penalty for delay in the performance of works. The share of Trakcja Group in any potential liabilities that may arise from this trial is 65 %. The case is suspended for the preparation of the expert's report. As a result of the analysis of risks associated with the ongoing litigation, the Group created in 2015 a provision for this litigation. In the reporting period from 1 January to 30 June 2016 a court hearing was held, during which the court began the process of selection of an expert witness to assist the court in the case. Due to the prolonging process of the appointment of the expert and the absence of any other developments in the trial, the Group, as of 30 June 2016, decided to retain the provision unchanged from 31 December 2015. The Group refrained from making other disclosures related to this court case by invoking clause 92 of IAS 37.

7. DESCRIPTION OF OTHER RISKS RELATED TO THE REMAINING 6 MONTHS OF THE FINANCIAL YEAR

The factors that may significantly deteriorate the financial standing of our Group within at least next 6 months are the following:

- Risk of growing competition,
- Risk of changes in the strategy of the Polish and Lithuanian governments regarding the infrastructure modernisation over the next few years.
- Risk of being dependent on key customers,
- Risk of potential loss of subcontractors and potential rise in prices of their services,
- Risk of lack of qualified employees,
- Currency risk,
- Risk of change of prices for materials,
- Risk associated with the joint and several liability of members of construction consortiums and with the liability for subcontractors,
- Risk related to any potential penalties for failure to complete contracts,
- Risk of underestimation of the costs of projects,
- Risk related to performance of construction contracts,
- Risk associated with the conditions and procedures for awarding tenders and with execution of contracts,
- Risk of growing portfolio of overdue receivables,
- Risk related to financial agreements,
- Liquidity risk,
- Risk related to execution of strategy.

Warsaw, August 30, 2016

The Management Board:

Jarosław Tomaszewski

President of the Board

Nerijus Eidukevičius

Vice President of the Board

Marek Kacprzak

Vice President of the Board

Paweł Nogalski

Vice President of the Board

Sławomir Raczyński

Vice President of the Board

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

According to our best knowledge, the interim condensed consolidated financial statement of Trakcja Group for the period from January 1, 2016 to June 30, 2016 and comparable data for the period from January 1, 2015 to June 30, 2015 were prepared in accordance with the binding accounting principles and reflect in a true, reliable and clear manner the property and financial situation as well financial result of the Group. The Report on activities of the Issuer's Capital Group contains true information of development and achievements, risks and threats as well as of situation of Trakcja Capital Group.

We also declare that the entity entitled to carry out an audit of the financial statements and to review the half-year 2016 condensed consolidated financial statement – Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. - has been chosen in accordance with the provisions of the law. This entity as well as certified auditors responsible for the said review satisfied the requirements for making unbiased and independent review reports in compliance with the binding provisions and professional standards.

Jarosław Tomaszewski

President of the Board

Nerijus Eidukevičius

Vice President of the Board

Marek Kacprzak

Vice President of the Board

Paweł Nogalski

Vice President of the Board

Sławomir Raczyński

Vice President of the Board

Warsaw, August 30, 2016

AUDITOR’S REPORT ON THE REVIEW OF THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016

To the Shareholders and Supervisory Board of Trakcja PRKiI S.A.

We have reviewed the attached condensed interim separate financial statements of **Trakcja PRKiI S.A.** with its registered office in Warsaw at Złota 59, including a balance sheet prepared as of 30 June 2016, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement for the period from 1 January 2016 to 30 June 2016 and notes, comprising a summary of significant accounting policies and other explanatory information.

Compliance of these condensed interim separate financial statements with the requirements laid down in IAS 34 “Interim Financial Reporting” as endorsed by the European Union (“IAS 34”) and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Company. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the separate financial statements are free from material misstatement.
Our review has been conducted mainly based on an analysis of data included in the financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Company.

The scope and methodology of a review of condensed interim financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the condensed interim separate financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 “Interim Financial Reporting” as endorsed by the European Union.

....
Maciej Krasoń
Key certified auditor
conducting the review
No. 10149

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

....
Maciej Krasoń – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 30 August 2016

The above auditor’s report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016

To the Shareholders and Supervisory Board of Trakcja PRKiI S.A.

We have reviewed the attached condensed interim consolidated financial statements of the **Trakcja PRKiI** Capital Group with Trakcja PRKiI S.A. having its registered office in Warsaw, at Złota 59, as the Parent Company, including a consolidated balance sheet prepared as of 30 June 2016, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the period from 1 January 2016 to 30 June 2016 and notes, comprising a summary of significant accounting policies and other explanatory information.

Compliance of these condensed interim consolidated financial statements with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union ("MSR 34") and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Parent Company. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

Our review has been conducted mainly based on an analysis of data included in the financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Group.

The scope and methodology of a review of condensed interim financial statements differ significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the condensed interim consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 “Interim Financial Reporting” as endorsed by the European Union.

....
Maciej Krasoń
Key certified auditor
conducting the review
No. 10149

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

....
Maciej Krasoń – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 30 August 2016

The above auditor’s report on the review is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.