



TRAKCJA CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT
FOR THE 3-MONTH PERIOD ENDED MARCH 31, 2018

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APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKiI S.A. has approved the consolidated financial statements of Trakcja Capital Group for the period of 3 months ended March 31, 2018.

The condensed consolidated financial statements for the first quarter of 2018 were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union for interim reporting purposes (IAS 34). Information included herein is presented in the following sequence:

1. Consolidated income statement for the period from January 1, 2018 to March 31, 2018, which shows a net loss of PLN **22,532** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2018 to March 31, 2018, which shows the negative total comprehensive income of PLN **20,028** thousand.
3. Consolidated balance sheet as at March 31, 2018, which shows the total assets and total equity and liabilities of PLN **1,358,786** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2018 to March 31, 2018, which shows a decrease in the total net cash flows by PLN **86,699** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2018 to March 31, 2018, which shows a decrease in equity by PLN **22,570** thousand.
6. Notes.

The condensed consolidated financial statements have been drawn in thousands of Polish zlotys, unless explicitly stated otherwise.

Marek Kacprzak

Vice-President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Maciej Sobczyk

Vice-President of the Management Board

Warsaw, May 17, 2018

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I. SELECTED FINANCIAL DATA OF 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
31.03.2018	4,1784	4,1423	4,2416	4,2085
31.12.2017	4,2447	4,1709	4,4157	4,1709
31.03.2017	4,2891	4,2198	4,4157	4,2198

* The average of the exchange rates applicable on the last day of each month in the reporting period concerned.

Key items of the consolidated income statement translated into the euro:

	3 month period ended 31.03.2018		3 month period ended 31.03.2017	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	205 096	49 085	136 656	31 862
Cost of goods sold	(213 089)	(50 998)	(132 314)	(30 849)
Gross profit (loss) on sales	(7 993)	(1 913)	4 342	1 012
Operating profit (loss)	(23 767)	(5 688)	(6 104)	(1 423)
Gross profit (loss)	(25 684)	(6 147)	(6 903)	(1 609)
Net profit (loss) from continued operations	(22 532)	(5 392)	(6 223)	(1 451)
Net profit for the period	(22 532)	(5 392)	(6 223)	(1 451)

The consolidated income statement data was converted at the average exchange rate of the euro, calculated as the average of the exchange rates applicable on the last day of each month in a given reporting period, established by the National Bank of Poland for that day.

Key items of the consolidated statement of financial position translated into the euro:

	31.03.2018		31.12.2017	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	739 734	175 771	731 454	175 371
Current assets	619 052	147 096	710 826	170 425
Total assets	1 358 786	322 867	1 442 280	345 796
Equity	739 464	175 707	762 034	182 703
Long-term liabilities	122 636	29 140	116 953	28 040
Short-term liabilities	496 686	118 020	563 293	135 053
Total equity and liabilities	1 358 786	322 867	1 442 280	345 796

The consolidated balance sheet data was converted at the exchange rate established by the National Bank of Poland on the last day of a given reporting period.

Key items of the consolidated statement of cash flows translated into the euro:

	3 month period ended 31.03.2018		3 month period ended 31.03.2017	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(146 239)	(34 999)	7 823	1 824
Cash flows from investment activities	(10 855)	(2 598)	(15 753)	(3 673)
Cash flows from financial activities	70 395	16 847	(3 244)	(756)
Total net cash flows	(86 699)	(20 750)	(11 174)	(2 605)

The data of the consolidated statement of cash flows was converted at the average exchange rate of the euro, calculated as the average of the exchange rates applicable on the last day of each month in a given reporting period, established by the National Bank of Poland for that day.

	31.03.2018		31.03.2017	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	112 172	26 894	146 360	33 083
Cash at end of period	25 473	6 053	135 186	32 036

Exchange rates adopted for the purpose of calculating the above data of the consolidated statement of cash flows were as follows:

- for the cash at end of period — the exchange rate established by the National Bank of Poland on the last day of the reporting period concerned,
- for the cash at start of period — the exchange rate established by the National Bank of Poland on the last day of the reporting period preceding the reporting period concerned.

The EUR/PLN exchange rate on the last day of the reporting period ended December 31, 2016 was PLN 4.424.

II. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	1.01.2018 - 31.03.2018	1.01.2017 - 31.03.2017
	Unaudited	Unaudited
Continued operations		
Sales revenue	205 096	136 656
Cost of goods sold	(213 089)	(132 314)
Gross profit on sales	(7 993)	4 342
Cost of sales, marketing and distribution	(1 338)	(1 556)
General and administrative costs	(14 256)	(9 784)
Other operating revenues	828	1 168
Other operating costs	(1 008)	(274)
Operating profit	(23 767)	(6 104)
Financial revenues	1 196	1 746
Financial costs	(3 113)	(2 545)
Gross profit	(25 684)	(6 903)
Income tax	3 152	680
Net profit from continued operation	(22 532)	(6 223)
Net profit (loss) from discontinued operations	-	-
Net profit for the period	(22 532)	(6 223)
Attributable to:		
Shareholders of parent entity	(22 409)	(6 131)
Non-controlling interests	(123)	(92)
Profit per share attributable to shareholders in the period (PLN per share)		
- basic	(0,44)	(0,12)
- diluted	(0,44)	(0,12)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.01.2018 - 31.03.2018 <i>Unaudited</i>	1.01.2017 - 31.03.2017 <i>Unaudited</i>
Net profit for the period	(22 532)	(6 223)
Other comprehensive income:		
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		
Actuarial gains/(losses)	-	(74)
Other comprehensive income that will be reclassified to profit or loss:	2 504	(15 095)
Foreign exchange differences on translation of foreign operations	2 263	(15 558)
Cash flow hedging instruments	241	463
Total other comprehensive income	2 504	(15 169)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(20 028)	(21 392)
Attributable to:		
Shareholders of Parent entity	(19 888)	(21 325)
Non-controlling interests	(140)	(67)

CONSOLIDATED BALANCE SHEET

	Nota	31.03.2018 <i>Unaudited</i>	31.12.2017 <i>Badane</i>
ASSETS			
Non-current assets		739 734	731 454
Tangible non-current assets		272 610	266 853
Intangible assets		53 380	53 753
Goodwill from consolidation		329 461	327 996
Investment properties		20 097	20 097
Investments in other units		2 970	858
Other financial assets		42 220	44 147
Deferred tax assets		11 288	9 836
Accruals		7 708	7 914
Current assets		619 052	710 826
Inventory		116 372	94 027
Trade and other receivables		231 235	324 094
Income tax receivables		11 517	9 642
Other financial assets		15 680	14 859
Cash and cash equivalents		25 485	112 184
Accruals		13 070	9 233
Construction contracts and advances paid towards contracts being performed		205 693	146 787
TOTAL ASSETS		1 358 786	1 442 280
Equity and liabilities			
Equity (attributable to shareholders of parent entity)		734 508	756 979
Share capital		41 120	41 120
Share premium account		309 984	309 984
Revaluation reserve		5 765	5 765
Other capital reserves		359 183	361 588
Retained earnings		9 020	31 429
Foreign exchange differences on translation of foreign operations		9 436	7 093
Non-controlling interests		4 956	5 055
Total equity		739 464	762 034
Long-term liabilities		122 636	116 953
Interest-bearing loans and borrowings		96 570	87 661
Provisions	23	11 780	11 917
Liabilities due to employee benefits		5 044	5 127
Provision for deferred tax		5 060	7 810
Derivative financial instruments		4 105	4 351
Other financial liabilities		77	87
Short-term liabilities		496 686	563 293
Interest-bearing loans and borrowings		93 492	28 538
Trade and other liabilities		212 793	335 049
Provisions	23	12 199	14 179
Liabilities due to employee benefits		12 477	12 762
Derivative financial instruments		969	960
Accruals		445	416
Construction contracts and advances received towards contracts being performed		164 044	171 347
Advances received towards flats		267	42
Total equity and liabilities		1 358 786	1 442 280

CONSOLIDATED STATEMENT OF CASH FLOWS

	1.01.2018 - 31.03.2018 <i>Unaudited</i>	1.01.2017 - 31.03.2017 <i>Unaudited</i>
<i>Cash flows from operating activities</i>		
Gross profit from continued operations	(25 684)	(6 903)
Adjustments for:	(120 555)	14 726
Depreciation	7 395	7 599
FX differences	705	(750)
Net interest and dividends	1 555	1 453
Profit on investment activities	(1 186)	(1 368)
Change in receivables	95 507	202 431
Change in inventory	(22 213)	(16 117)
Change in liabilities, excluding loans and borrowings	(126 240)	(111 078)
Change in prepayments and accruals	5 423	(15 785)
Change in provisions	(2 118)	(13 987)
Change in construction contracts and advances towards contracts being performed	(74 562)	(30 096)
Change in financial derivatives	(288)	(543)
Income tax paid	(2 345)	(2 926)
Other	(2 128)	670
Foreign exchange differences on translation of foreign operations	(60)	(4 777)
Net cash flows from operating activities	(146 239)	7 823
<i>Cash flows from investment activities</i>		
Sale (purchase) of intangible assets and tangible non-current assets	(10 151)	(14 764)
- acquisition	(10 672)	(16 033)
- sale	521	1 269
Sale (purchase) of shares	(2 084)	-
- acquisition	(2 084)	-
Financial assets	1 103	(1 032)
- sold or repaid	2 480	1 263
- granted or acquired	(1 377)	(2 295)
Loans	211	-
- repaid	211	-
Interest received	66	43
Net cash flows from investment activities	(10 855)	(15 753)
<i>Cash flows from financial activities</i>		
Proceeds on account of taken borrowings and loans	78 907	-
Repayment of borrowings and loans	(3 843)	(2 375)
Interest paid	(1 663)	(1 752)
Payment of liabilities under financial lease agreements	(2 982)	(3 185)
Inflows (outflows) income from other financial liabilities	-	4 068
Other	(24)	-
Net cash flows from financial activities	70 395	(3 244)
Total net cash flows	(86 699)	(11 174)
Cash at start of period	112 172	146 360
Cash at end of period	25 473	135 186

*Cash excluded from the statement of cash flows as at March 31, 2018 comprises cash blocked on the property development project accounts in the amount of PLN 12 thousand.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to shareholders of parent entity											
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2018 Audited	41 120	309 984	5 765	(3 340)	(975)	365 903	7 093	31 429	756 979	5 055	762 034
IFRS 9 implementation	-	-	-	-	-	(3 418)	-	-	(3 418)	-	(3 418)
As at 1.01.2018 after adjustments	41 120	309 984	5 765	(3 340)	(975)	362 485	7 093	31 429	753 561	5 055	758 616
Net profit for the period	-	-	-	-	-	-	-	(22 409)	(22 409)	(123)	(22 532)
Other comprehensive income	-	-	-	178	-	-	2 343	-	2 521	(17)	2 504
Other changes	-	-	-	-	-	835	-	-	835	41	876
As at 31.03.2018 Unaudited	41 120	309 984	5 765	(3 162)	(975)	363 320	9 436	9 020	734 508	4 956	739 464
As at 01.01.2017 Audited	41 120	309 984	5 765	(4 162)	(404)	337 225	26 924	54 685	771 137	4 830	775 967
Net profit for the period	-	-	-	-	-	-	-	(6 131)	(6 131)	(92)	(6 223)
Other comprehensive income	-	-	-	341	(74)	-	(15 461)	-	(15 194)	25	(15 169)
Other changes	-	-	-	-	-	(291)	-	-	(291)	(4)	(295)
As at 31.03.2017 Unaudited	41 120	309 984	5 765	(3 821)	(478)	336 934	11 463	48 554	749 521	4 759	754 280

Equity attributable to shareholders of parent entity											
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
				Hedging instruments	Actuarial gains/(losses)	Results from previous years					
As at 1.01.2017 Audited	41 120	309 984	5 765	(4 162)	(404)	337 225	26 924	54 685	771 137	4 830	775 967
Net profit for the period	-	-	-	-	-	-	-	31 429	31 429	614	32 043
Other comprehensive income	-	-	-	822	(571)	-	(19 831)	-	(19 580)	163	(19 417)
Distribution of profit	-	-	-	-	-	28 985	-	(28 985)	-	-	-
Dividend payment to Shareholders of the Parent Company	-	-	-	-	-	-	-	(25 700)	(25 700)	-	(25 700)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(556)	(556)
Other	-	-	-	-	-	(307)	-	-	(307)	4	(303)
As at 31.12.2017 Audited	41 120	309 984	5 765	(3 340)	(975)	365 903	7 093	31 429	756 979	5 055	762 034

III. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

These condensed consolidated financial statements of Trakcja Group cover the period of 3 months ended March 31, 2018.

Trakcja Group ("Group") consists of the parent company, namely Trakcja PRKiL S.A. ("Trakcja PRKiL", "Parent Company" or "Company"), its subsidiaries (see Note 2).

Trakcja PRKiL S.A. in its present form was established on November 30, 2004 as a result of the acquisition of Trakcja Polska S.A. by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. ("PKRE S.A."). The name of the Company at the time was Trakcja Polska S.A. and was changed by Resolution No. 2 adopted by the Extraordinary General Meeting of Shareholders on November 22, 2007. The change was entered in the National Court Register on December 10, 2007. The prior business name of the Company was Trakcja Polska - PKRE S.A. The Company operates under the Articles of Association in the form of a notarial deed of January 26, 1995 (Rep. A No. 863/95), as amended.

On September 1, 2009 the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered the merger of Trakcja Polska S.A. as the overtaking company with Przedsiębiorstwo Robót Komunikacyjnych-7 S.A. as the overtaken company. The merger was settled and recognised in the accounting books of the company to which the assets of the merged companies were transferred, i.e. Trakcja Polska S.A., according to the pooling of interest method, as at August 31, 2009. The companies were effectively merged at the acquisition, i.e. on September 1, 2007, in accordance with IFRS 3.

On June 22, 2011 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the company 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 General Meeting of Shareholders on June 15, 2011.

On December 21, 2012 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in 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 General Meeting of Shareholders on December 12, 2012.

On December 19, 2013 the District Court of the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, registered the merger of Trakcja S.A. as the overtaking company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. as the overtaken company. The merger was settled and recognised in the accounting books of the company to which the assets of the merged companies were transferred, i.e. Trakcja S.A., according to the pooling of interest method, as at December 31, 2013.

On December 19, 2013 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the Company's business name from Trakcja S.A. to Trakcja PRKiL S.A. The above change was registered pursuant to Resolution No. 4 adopted by the Extraordinary General Meeting of Shareholders on November 27, 2013.

On January 29, 2002 the Company was entered in the National Court Register by the District Court in Warsaw, 19th Commercial Division, under KRS 0000084266. The Company was assigned the statistical number REGON 010952900, the tax identification number NIP 525-000-24-39 and the PKD code 4212Z.

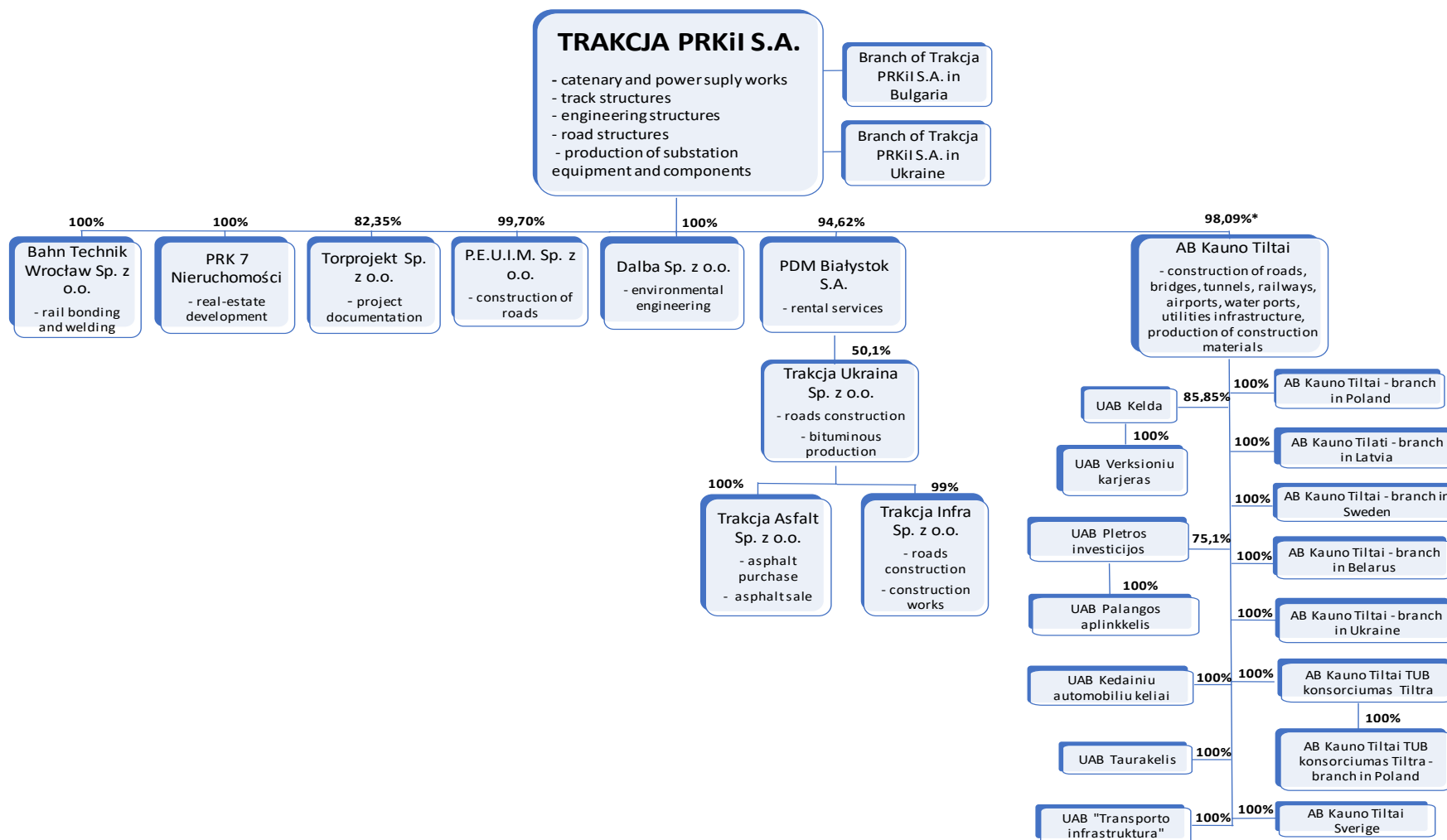
The registered office of the Parent Company is located at ul. Złota 59 in Warsaw. Both the Parent Company and the entities that are members of the Group are established for an indefinite period of time.

According to the Articles of Association, the Parent Company renders specialist construction and installation services within the scope of railway and tram lines electrification. The Company specialises 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, piers, flyovers, tunnels, underground passings, roads and accompanying elements of rail and road infrastructure.

2. Group members

As at March 31, 2018 the Group consists of the Parent Company (Trakcja PRKiI S.A.) and its subsidiaries. The Group's organisational structure is presented in the diagram below:



*) Trakcja PRKiI S.A. holds a total of 98.09% (96.84% directly and 1.25% indirectly) of the share capital of its subsidiary AB Kauno Tiltai. The indirect shareholding results from the acquisition of own shares by the subsidiary.

3. Changes in the Group's structure and their consequences

In the first quarter of 2018, the Trakcja Group's structure has not changed, and neither business combination, acquisition or loss of control over subsidiaries or long-term investments nor division, restructuring or discontinuation of business occurred.

4. Parent Company's Management Board

As at March 31, 2018 the Company's Management Board was composed of the following members:

- Jarosław Tomaszewski - President of the Management Board;
- Marek Kacprzak - Vice-President of the Management Board;
- Paweł Nogalski - Vice-President of the Management Board;
- Maciej Sobczyk - Vice-President of the Management Board;
- Aldas Rusevičius - Vice-President of the Management Board;

On March 9, 2018 the Company received from Mr Jarosław Tomaszewski a statement of resignation from the function of the President of the Management Board of the Company and the Member of the Management Board of the Company with the effect for the day June 30th, 2018.

On April 27, 2018 the Company obtained from Mr Jarosław Tomaszewski a statement of resignation from the function of the President of the Management Board, Member of the Management Board and Chief Executive Officer. The resignation was submitted with the effect on April 27, 2018.

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

- Marek Kacprzak - Vice-President of the Management Board;
- Paweł Nogalski - Vice-President of the Management Board;
- Maciej Sobczyk - Vice-President of the Management Board;
- Aldas Rusevičius - Vice-President of the Management Board;

5. Parent Company's Supervisory Board

As at March 31, 2018 the Company's Supervisory Board was composed of the following members:

- Dominik Radziwiłł - Chairman of the Supervisory Board;
- Łukasz Rozdeiczer-Kryszkowski - Member of the Supervisory Board;
- Michał Hulbój - Member of the Supervisory Board;
- Wojciech Napiórkowski - Member of the Supervisory Board;
- Miquel Llevat Vallespinosa - Member of the Supervisory Board;
- Jorge Miarnau Montserrat - Member of the Supervisory Board;
- Fernando Perea Samarra - Member of the Supervisory Board;

Both in the analysed period and after the balance sheet date, there have been no changes to the Supervisory Board's composition. As at the date of publication of this report, the Supervisory Board operated in an unchanged composition.

6. Parent Company's shareholdership

As at December 31, 2017 and as at the preparation hereof, the Parent Company's share capital, in accordance with the entry in the National Court Register, was PLN 41 119 638.40 and was divided into 51 399 548 ordinary shares with a nominal value of PLN 0.80 per share. Each share constitutes one vote at the General Meeting of Shareholders.

To the best knowledge of the Issuer's Management Board and in accordance with the notifications referred to Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, shareholders that hold directly or through subsidiaries at least 5% of the total number of votes at the General Meeting of Shareholders as at the approval hereof were as follows:

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.*	16 156 193	31,43%	16 156 193	31,43%
Nationale-Nederlanden OFE	5 111 908	9,95%	5 111 908	9,95%
OFE PZU "Złota Jesień"	4 349 650	8,46%	4 349 650	8,46%
Other shareholders	25 781 797	50,16%	25 781 797	50,16%
Total	51 399 548	100,00%	51 399 548	100,00%

*As a result of the acquisition by COMSA S.A. of shares in the Parent Company, notification of which was provided in Current Report No. 19/2017 and Current Report No. 20/2017, the number of shares held by COMSA S.A. increased in total by 313 000 shares. As neither Nationale-Nederlanden OFE nor OFE PZU Złota Jesień announced that they had sold their shares in the Parent Company, it was assumed that the shares were sold by other shareholders.

Since the publication of the last current report, i.e. since March 28, 2018, the Parent Company has not received any notifications from its shareholders informing it about any change in the total number of votes in the Parent Company.

Therefore, in the above-mentioned the period, the Parent Company did not record any changes in the structure of shareholders holding at least 5% of the total number of votes at its GM.

7. Number of shares in the Parent Company held by members of its management and supervision bodies

Since the publication of the last periodical report (consolidated annual report), i.e. since March 28, 2018, the number of shares held by the Management Board Members was as follows:

First name and last name	Position	Number of shares	The nominal value of shares	% in the share capital
Jarosław Tomaszewski	President of the Management Board	132 400	105 920	0,258%

To the best knowledge of the Parent Company's Management Board, the other Company's Management Board and Supervision Board members do not hold any shares in the Parent Company or any of the related entities within Trakcja Group since the publication of the last periodical report (consolidated annual report), i.e. since March 28, 2018.

On April 27, 2018, Mr. Jarosław Tomaszewski ceased to be the President of the Management Board, Member of the Management Board and General Director. Therefore, in accordance with the knowledge of the Management Board of the Parent Company, Members of the Management Board and Supervisory Board Members as at the date of this report, i.e. 17 May 2018, did not hold any shares in Trakcja PRKiI and shares in entities comprising the Group.

8. Approval of the financial statements

These condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on May 17, 2018.

9. Significant values based on professional judgement and estimates

Significant values based on professional judgement and estimates are described in detail in Note 7 to the consolidated annual financial statements of Trakcja Group for 2017. During the 3 months ended on March 31, 2018, no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at March 31, 2018.

Please find below the professional judgement of the management and the assumptions concerning the future and also other key sources of uncertainties present at the balance sheet date, which bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

9.1. Professional judgement

Fair value of financial instruments

If the market for financial instruments is not active, their fair value is established by using relevant measurement techniques. When selecting methods and assumptions, the Group follows the professional judgement. The assumptions made for this purpose are presented in Note 47 of the Notes to the consolidated financial statements for 2017.

In the first quarter of 2018, the Group has not changed the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

Classification of leases

The Group classifies a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. This depends on the economic substance of each transaction. For additional information please refer to Note 9.3.4, 42 and 43 to the consolidated financial statements for 2017.

Investment properties

The Group classifies a property as a tangible non-current asset or an investment property depending on its intended use.

Allocation of goodwill to cash generating units

Pursuant to IAS 36, goodwill is allocated to cash generating units. The Group performs tests related to the allocation of goodwill to the appropriate cash generating units.

Classification of joint contractual arrangements

The Group verifies whether it exercises joint control and determines the type of joint arrangement in which it is involved by considering its rights and obligations under a given arrangement and the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement

Control over related entities

The Parent Company exercises control over related entities, if it is exposed or has rights to variable returns from its involvement and when it is in a position to use its powers over an entity to exert an effect on such returns. The Company's Management Board states that it exercises control over individual entities based on the following:

Control over related parties

The Parent Company exercises control over related entities, if it is exposed or has rights to variable returns from its involvement and when it is in a position to use its powers over an entity to exert an effect on such returns. The Company's Management Board states that it exercises control over individual entities based on the following:

Trakcja PRKiI holds 100% of the shares in PRK 7 Nieruchomości Sp. z o.o. and has control over the subsidiary. Trakcja PRKiI has become the shareholder in PRK 7 Nieruchomości as a result of the merger between Trakcja and PRK 7 S.A. which in turn owned PRK 7 Nieruchomości Sp. z o.o.

Trakcja PRKiI holds 100% of shares in Bahn Technik Wrocław Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI S.A. has become the owner of the company through the acquisition and obtaining of control over the remaining 50% of shares therein on December 30, 2016.

Trakcja PRKiI holds 82.35% of shares in Torprojekt Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI has become the owner of Torprojekt through the acquisition of its shares.

Trakcja PRKiI holds 99.70% of shares in PEUiM Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI has become the owner of PEUiM through the acquisition of its shares.

Trakcja PRKiI holds 100% of shares in Dalba Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI has become the owner of Dalba through the acquisition of its shares.

Trakcja PRKiI holds 94.62% of shares in PDM Białystok S.A. and has full control over the subsidiary. Trakcja PRKiI has become the owner of PDM Białystok through the acquisition of its shares.

Trakcja PRKiI holds 98.09% of shares in AB Kauno Tiltai and has control over the subsidiary. Trakcja PRKiI has become the owner of AB Kauno Tiltai, which is the parent company of AB Kauno Tiltai Group, through the acquisition of its shares.

The Group's composition and shareholdings are presented in Note 2 of the Notes hereto.

9.2. Estimate uncertainty

Recognition of revenue

Pursuant to IFRS 15, the Group recognizes revenues on the account of performing uncompleted construction services in accordance with the 5-stage model; for the purpose of measuring the level of a complete fulfilment of the required performance the Group applies the input-based method. The volume of sales for contracts concluded in a foreign currency depends on the general trends of foreign exchange.

Provisions for additional works

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The largest companies that are members of Trakcja Group are obliged to grant warranty for their services. The provision for additional works depends on the segment in which the companies operate and is based on the Group's historical data. It is subject to individual review and may be increased or decreased when necessary. Any change in the estimates affects the value of the provisions. The change in the provisions for additional works is presented in Note 23.

Provisions for contractual penalties

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

Measurement of employee benefit liabilities

Any employee benefit liabilities for retirement allowances and jubilee bonuses in the current period are estimated on the basis of actuarial methods which take into account the amendments to the remuneration regulations made on June 3, 2017. The amount of liability depends on various factors which are applied as assumptions in the actuarial method. Key assumptions for determining the amount of liability are the discount rate and the average expected increase in wages.

Deferred tax assets

The Group recognises a deferred tax asset assuming that in the future a taxable profit is generated that will allow for its use. Any deterioration in the future taxable profits may result in the assumption becoming unjustified. The Parent Company's Management Board verifies the estimated recoverability of deferred tax assets on the basis of changes in the factors taken into account, new information and past experiences. The likelihood that deferred tax assets will be utilised against future taxable profits is assumed in the Group's forecast. The Group's companies recognise deferred tax assets up to the amount corresponding to the likely amount of future taxable profit that will allow for negative temporary differences to be deducted. The Group's companies, which generated losses in the past and whose financial forecast does not project future taxable profits that would allow for negative temporary differences to be deducted, do not recognise any deferred tax assets in their books.

Amortisation and depreciation rates

Depreciation and amortisation rates are determined on the basis of the expected economic useful lives of tangible non-current assets and intangible assets. Every year the Group reviews the adopted economic useful lives using current estimates. During the 3 months ended on March 31, 2018, no significant changes were made to the amortisation and depreciation rates applied by the Group.

Investment properties

Investment properties are measured at fair value. The value of investment properties is determined by independent experts who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Group follows the principles set forth in IFRS 13 and in the Real Estate Management Act and also in the Regulation of the Council of Ministers on the detailed principles of property valuation and rules and method for preparing valuation reports. Fair value of investment properties is measured by way of applying measurement techniques that require a maximum use of observable data. As at March 2018 the Group did not perform any measurements, as no circumstances occurred which would indicate that the value of investment properties might have changed.

Goodwill impairment

Pursuant to IAS 36, cash-generating units to which goodwill has been allocated are tested for impairment annually by the Parent Company's Management Board. The tests performed consist in the estimation of the value in use of cash generating units ("CGU") on the basis of future cash flows generated by such units, which are next adjusted to their present value with the use of a discount rate. As at March 31, 2018 the Group did not perform any tests for impairment, as no circumstances occurred which would indicate that cash generating units might have been impaired. The goodwill impairment losses are described in detail in Note 22.

Impairment of financial assets

Financial assets are tested for impairment using any available and generally applicable methods and taking into account the Group's forecast future cash flows related to the assets concerned.

Write-downs of inventories

The Management Board assesses whether there are any indications that inventories may need to be written down in accordance with Note 9.12 of the Notes to the Consolidated Financial Statements for 2017. For that purpose, the Company estimates the net realisable value of those inventories that lost their functional properties or are no longer useful. The goodwill impairment losses are described in detail in Note 22.

Write-down to trade receivables and other receivables

Pursuant to IFRS 9, the Group recognizes write-downs on the account of expected credit losses due to trade receivables and other receivables. In terms of trade receivables, the Group applies a simplified method for receivables recognized in the group dimension – for these receivables, a write-down is made for so-called lifelong credit losses, regardless of the analysis of credit risk changes. In terms of other receivables and held financial instruments, the Group defines the write-down to the 12-month expected credit losses if the credit risk is low or it has not increased significantly since the date of including the given component of receivables in the balance sheet, in the amount equivalent to the expected credit losses throughout the life, if the credit risk related with the given component of financial assets has increased significantly since the initial recognition. A change to the write-down to trade receivables and other receivables is presented in Note 22.

Fair value and its measurement

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Company measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. The detailed information on the items measured at fair value is presented in Note 25 and 27. Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 23, 40 and 47 of the Notes to the consolidated financial statements for 2017.

10. Basis for preparing the condensed consolidated financial statements

The condensed consolidated financial statements were prepared according to the historical cost principle, except for the financial derivatives, investment property and available-for-sale financial assets which are measured at fair value.

These condensed consolidated financial statements are presented in Polish zlotys ("PLN") and all amounts are expressed in thousands of Polish zlotys, unless stated otherwise.

The consolidated annual financial statements are prepared on the assumption that the Group remains a going concern in the foreseeable future. As at the approval hereof, there are no circumstances that could indicate that any threats exist to the Group as a going concern.

Certain financial data provided herein have been rounded. Therefore, the sum of the amounts in a given column or row in certain tables provided herein may differ slightly from the total amount given for such a column or row.

The subsidiaries of AB Kauno Tiltai Group and the following subsidiaries: PRK 7 Nieruchomości Sp. z o.o. i Torprojekt Sp. z o.o., PEUIM Sp. z o.o., Dalba Sp. z o.o., PDM Białystok S.A. and Bahn Technik Wrocław Sp. z o.o. are consolidated using the full consolidation method.

All intra-group transactions and balances, including unrealised profits on intra-group transactions, have been completely eliminated. Unrealised losses are eliminated unless they are an impairment indicator. Due to the insignificant impact on the Group's performance, the following companies: Trakcja Ukraina Sp. z o.o., Trakcja Asphalt Sp. z o.o. and Trakcja Infra Sp. z o.o. are not consolidated.

Non-controlling interests are that portion of the profit or loss and net assets which are not owned by the Group. Non-controlling interests are presented as a separate item in the consolidated income statement and the consolidated statement of comprehensive income and also the consolidated balance sheet (within equity), separately from the equity of the owners of the Parent Company. At the acquisition of non-controlling interests, any difference between the acquisition price and the carrying amount thereof is recognised in the equity.

11. Statement of compliance

These condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union. At the approval hereof, as far as the accounting principles adopted by the Group are concerned, there are no significant differences between the IFRS standards and the IFRS standards approved by the EU. Any standards other than those that were in force as of March 31, 2018 and were approved by the EU as at the preparation hereof are described in Note 12. The IFRS include standards and interpretations approved by the International Accounting Standards Board and the IFRS Interpretations Committee.

Measurement currency and currency of the financial statements

The Polish zloty is the measurement currency of the Parent Company and the majority of the companies within the Group, as well as the reporting currency in these condensed consolidated financial statements for the first quarter of 2018. The euro is the measurement currency of the companies with their registered offices in Lithuania and the AB Kayno Tiltai branch in Latvia, whereas the Swedish crown (SEK) is the currency of AB Kauno Tiltai Sverige and the AB Kauno Tiltai branch in Sweden; the Belarusian rouble (BYN) is the currency of AB Kauno Tiltai Branch in Belarus, the Bulgarian lev (BGN) is the currency of the establishment of Trakcja PRKiI S.A. in Bulgaria, and the Ukrainian hryvnia (UAH) is the currency of Trakcja Ukraina Sp. z o.o., Trakcja Infra Sp. z o.o., Trakcja Asphalt Sp. z o.o. and the establishment of Trakcja PRKiI S.A. in Ukraine.

12. Significant accounting principles

Except for the changes specified below, the accounting principles (policy) applied to these condensed consolidated financial statements for the first quarter of 2018 are consistent with those applied to the annual consolidated financial statements for 2017, published on March 28, 2018, except for the changes described below. The same principles apply to both the current and comparable period, unless a given standard or interpretation is to be applied only prospectively.

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

In the period covered by the condensed financial statements for the first quarter of 2018, the following changes in accounting principles and in the preparation of financial statements occurred.

- IFRS 9 “Financial Instruments” - IFRS 9 “Financial Instruments” introduces changes to the classification of financial assets (at amortized cost and at fair value, charged to the profit and loss statement or to other total income), as well as the rules of impairment of financial assets (the expected loss model should be applied instead of the incurred loss model), and modifies the approach to hedge accounting.

The Group applied IFRS 9 retrospectively to periods commencing after 1 January 2018 without a transformation of comparable data. Differences resulting from revaluation of financial assets as of the date of the first application of IFRS 9 were recognized in other reserve capital.

The Group recognized the effect of expected losses on the financial statements in terms of trade receivables. For infrastructural entities, as of every balance sheet day, the Group individually assesses expected losses to recognized amounts of receivables, and the probability of their occurrence. This assessment is performed on the basis of the estimated result of negotiations in case of disputes. For other entities, the Group has applied the model of a group- based assessment of expected losses. For the purpose of estimating the expected credit loss the Group uses historical credit loss levels depending on ageing periods, adjusted by current expectations as to the future shaping of these factors. Therefore, as at 1 January 2018, impairments (after having accounted for deferred tax) have reduced the Group’s equity by PLN 2,751 thousand, corresponding to a reduction of the balance sheet value of trade receivables and other receivables.

The Group values deposits and retained amounts within the amortized cost. In connection with the recognition of the influence of the discount of deposits and retained amounts on the financial statements, as at 1 January 2018 the equity was decreased by PLN 667 thousand, corresponding to a decrease of the balance sheet value of deposits and retained amounts.

The impact of the changes is presented below:

	31.12.2017	MSSF 9 influence	1.01.2018
ASSETS			
Non-current assets	731 454	(442)	731 012
Other financial assets	44 147	(1 068)	43 079
Deferred tax assets	9 836	626	10 462
Current assets	710 826	(3 290)	707 536
Trade and other receivables	324 094	(3 290)	320 804
TOTAL ASSETS	1 442 280	(3 732)	1 438 548
Equity and liabilities			
Equity (attributable to shareholders of parent entity)	756 979	(3 418)	753 561
Other capital reserves	361 588	(3 418)	358 170
Non-controlling interests	5 055	-	5 055
Total equity	762 034	(3 418)	758 616
Long-term liabilities	116 953	-	116 953
Provision for deferred tax	7 810		7 810
Short-term liabilities	563 293	(314)	562 979
Trade and other liabilities	335 049	(314)	334 735
TOTAL EQUITY AND LIABILITIES	1 442 280	(3 732)	1 438 548

• **IFRS 15 “Revenues from Contracts with Customers”**

As from 1 January 2018, IFRS 15 applies, which replaced IAS 11 “Construction Contracts” and IAS 18 “Revenue”. Recognition of revenue in accordance with IFRS 15 should present the transaction of transferring the goods or services to the customer (Ordering Party) in the amount reflecting the value of the remuneration expected by the entity in exchange for these goods or services.

The IFRS 15 introduces a five-stage model of revenue recognition: 1. Contract identification, 2. Identification of liabilities to be performed, 3. Determination of the transaction price, 4. Assignment of the transaction price, 5. Revenue recognition.

The Group has conducted an analysis of the content of sales agreements concluded with customers (construction contracts), to identify any differences resulting from the implementation of IFRS 15 and recognition of revenue according to the above-mentioned five-stage model.

As a result of conducted works, the Group has concluded that the implementation of IFRS has no significant effect on the financial statements and has not made any adjustments on the account of the implementation of IFRS 15 as at 1 January 2018.

In connection with the implementation of IFRS 15, the Group has updated the accounting policy in terms of recognition of revenue, to adjust it to the IFRS 15 terminology, and will modify disclosures in the scope required by the aforementioned standard. The Group has introduced IFRS 15 in accordance with the modified retrospective method.

As from 1 January 2018, the Group has been recognising revenue on the account of providing uncompleted construction services in accordance with the 5-stage model, and applies the input-based method to assess the state of completion of the provided service. In the opinion of the Management Board, the input-based method is the best adjusted method to determine revenue on long-term contracts.

As a result of conducted works, no significant effect of IFRS 15 on the development activities of the Group has been found. The Group recognizes revenue on sales of apartments and houses upon the transfer of ownership, by PLN signing the final property deed.

13. Description of factors and events that have a significant impact on the financial performance of Trakcja Group in the first quarter of 2018.

As at March 31, 2018 the Trakcja Group’s portfolio of construction contracts amounted to PLN 1,958 million (excluding any revenues allocated to consortium members). In the first quarter of 2018, the companies within Trakcja Group signed construction contracts with the total value of PLN 431 million (excluding the revenues allocated to consortium members), constituting a significant increase by PLN 182 million in comparison to the first quarter of 2017 (73%). The participation in new tenders in 2018 will allow the Group to secure, to an even greater extent, its portfolio of contracts for future periods.

In Q1 2018, the Trakcja Group has generated revenues on sales in the amount of PLN 205,096 thousand, which have increased by PLN 68,440 thousand in comparison to the analogical period of 2017. The cost of good sold increased by PLN 80,775 thousand and amounted to PLN 213,089 thousand.

The gross loss on sales amounted to PLN 7 993 thousand. The gross result on sales decreased by PLN 12,335 thousand in comparison to the analogical period of the previous year. The gross margin on result on sales amounted to -3.9% in Q1 2018, and 3.2% in the analogical period of 2017. The factors with the largest influence on the level of revenue on sales and the results of Q1 2018 include the seasonality of sales, characteristic for entities operating in the construction sector, which reflects in a substantially lower level of revenue obtained in the first quarter of a year and generating a significant part of revenue on sales in the second half of a calendar year. Moreover, during Q1 2018 the Parent Company has settled contracts, which were obtained in previous years, during a difficult bidding period for

the sector, and therefore were conducted with low profitability. The results of Q1 2018 presented below were also affected by the extraordinary increase of the prices of infrastructural construction, subcontracting and costs of payroll. In addition, the Parent Company incurs costs related with a diversification of activity on the industrial power sector and re-entering the tramway segment (city market). Moreover, the Parent Company is continuing preparations of business on foreign markets, where selected investment programs go as far as the year 2030. Additionally, results obtained by the Group were affected by the change in the contracts portfolio of Lithuanian companies.

Overhead costs reached PLN 14,256 thousand and increased by 45.7%, by PLN 4,472 thousand in regard to the comparable period. In Q1 2017, reserves for remuneration of management board members of subsidiaries were released, which resulted in lower overheads during that period. The costs of sales, marketing and distribution reached PLN 1,338 thousand and decreased by PLN 218 thousand. The balance of the Group's other operating activity reached a negative value of PLN 180 thousand and decreased by PLN 1,074 thousand in regard to the comparable period. During Q1 2018, the Group reported a loss on operations in the amount of PLN 23,767 thousand. The loss on operations has increased by PLN 17,663 thousand in comparison to Q1 2017, when it amounted to PLN 6,104 thousand.

During Q1 2018, the balance of the Group's financial activity reached a negative value of PLN 1,917 thousand and decreased by PLN 1,118 thousand in comparison with the balance of financial activity in Q1 of the previous year.

In the period from 1 January 2018 to 31 March 2018 the Group reported gross loss of PLN 25,684 thousand. The gross loss for Q1 2018 increased by PLN 18,781 thousand in relation to Q1 2017, when it amounted to PLN 6,903 thousand. Income tax for Q1 2018 increased the net result by PLN 3,152 thousand and changed by PLN 2,472 thousand in comparison to the analogical period of the previous year. The Group's net result for the period from 1 January 2018 to 31 March 2018 amounted to PLN -22,532 thousand. The net loss increased in comparison to the loss for Q1 2017 by PLN 16,309 thousand.

The Group's balance sheet total at the end of Q1 2018 was at PLN 1,358,786 thousand, lower by 5.8% in comparison to the balance sheet total at the end of 2017.

Tangible assets increased by PLN 8,280 thousand (by PLN 1.1% of the value of tangible assets as at 31 December 2017) and reached PLN 739,734 thousand, whereas current assets decreased by PLN 91,774 thousand, by PLN 12.9% in relation to the value of current assets as at 31 December 2017, and were at PLN 619,052 thousand.

The increase of tangible assets mainly resulted from the growth of tangible fixed assets by PLN 5,757 thousand, which reached PLN 272,610 thousand as at 31 March 2018.

The decrease of current assets mainly resulted from the reduction of the value of trade receivables by PLN 92,859 thousand, amounting to PLN 231,235 thousand. What is more, the balance of cash and cash equivalents decreased by PLN 86,699 thousand, by PLN 77.3% in comparison to the balance as at 31 December 2017. This is the effect of a significant growth in the number of contracts carried out in Q1 2018 (including on the road market), which was connected with high engagement of the Company's working capital including, in particular, cash. On the other hand, the value of construction contracts and advance payments made towards executed contracts has increased by PLN 58 906 thousand (40.1%), reaching PLN 205,693 thousand. In addition, in comparison to the balance as at the end of the previous year has increased from PLN 94,027 thousand to PLN 116,372 thousand, by PLN 22,345 thousand.

The Group's total equity as at 31 March 2018 has decreased by PLN 22,570 thousand in comparison to the balance as at 31 December 2017.

Long-term liabilities as at 31 March 2018 reached PLN 122,636 thousand and increased by PLN 5,683 thousand, i.e. 4.9% in comparison to the balance as at 31 December 2017. The value of interest-bearing credits and loans increased by PLN 8,909 thousand and amounted to PLN 96,570 thousand.

Short-term liabilities reached PLN 496,686 thousand and decreased by 11.8%, i.e. by PLN 66 607 thousand in relation to the balance as at 31 December 2017. The reduction was mainly related with a decrease of the value of trade

receivables by PLN 122,256 thousand. In turn, the interest rate on credits and loans has increased by PLN 64,954 thousand reaching the amount of PLN 93,492 thousand.

At the beginning of 2018, the Group's cash presented in the consolidated cash flow statement was PLN 112,172 thousand, while at the end of the 3-month period it was PLN 25,473 thousand. The total net cash flows for the first 3 months of 2018 were negative and amounted to PLN 86,699 thousand, which constituted a decrease PLN 75,525 thousand in comparison with the corresponding period of 2017.

14. Seasonality and cyclicality

The sale of the construction and installation, renovation, as well as road and rail services in Poland is of a cyclical nature above all due to the weather conditions. The highest revenues are usually generated in the second and third quarters and the lowest in the first quarter

15. Information on issue, redemption and repayment of debt or equity securities

In the first quarter of 2018, the Group did not issue, redeem or repay any debt or equity securities.

16. Amounts that have had a significant impact on assets, liabilities, equity, net profit/loss or cash flows which are atypical due to their type, size, impact or frequency

In the opinion of the Management Board, in the 3-month period ended March 31, 2018, except for the factors described in other notes hereto, no other significant events occurred, which could have had an impact on the assessment of the Trakcja Group's financial condition. The Group's performance for the year was primarily affected by the contracts completed by the Group.

17. Factors that will have an impact on the Group's performance at least in the next quarter.

The most important factors that will have an essential impact on the future financial performance of the Group include the following:

- The ability to win new construction contracts, which on account of the profile of the Group's activities is determined by expenditures on the railway and tramway infrastructure in Poland and Lithuania, as well as on new markets.
- The accuracy of the project cost estimates, as it exerts a direct impact on the decisions regarding the participation in tenders, the valuation of contracts for tenders and as a result the margins on the contracts. The accuracy of the contract cost budget estimates, which, in turn, depends on both methodological and external factors such as changes in prices for materials and services rendered by subcontractors.
- The Central Bank's monetary policy reflected in the interest rate changes. For the purpose of financing the acquisitions planned, the Group may take out bank loans, and therefore it may incur financial expenses determined by the interest rate levels.
- The timeliness in repayment of liabilities by customers. A failure to do so by customers may lead to the deterioration in the Group's financial liquidity.
- The level of material prices, including transport costs.
- Growing bargaining power of subcontractors (impact on the level of prices of services provided by them).

- The increasing pressure on margins.
- The number of awarded contracts within the scope of the programme “National Railway Programme up to 2023”
- The number of awarded contracts within the scope of the programme “2014-2023 National Roads Contraction Programme with a 2025 perspective”
- Ability to engage highly qualified staff
- A decrease in the number of entities participating in tenders on the Polish railway market.
- Further diversification of activities by way of increasing the Group’s operations in the road and power segment.
- Results of court cases.

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

- the procedure for awarding public procurements, in particular, an amendment to the Public Procurement Law,
- the public and private partnership,
- the financing of railway infrastructure,
- the environmental protection in the scope of the implementation of individual projects, in particular, the Environmental Protection Law,
- the property development activities of PRK 7 Nieruchomości Sp. z o.o.

18. Risk factors

Factors that may significantly deteriorate the financial condition of the Group include the following:

- Risk of growing competition,
- Risk of changes in the strategy of the Polish and Lithuanian authorities with regard to the modernisation of infrastructure over the next few years,
- Risk of being dependent on key customers,
- Risk of a potential loss of subcontractors and a potential rise in prices for services rendered by subcontractors,
- Risk associated with the lack of qualified employees,
- Risk of loss of management and engineering staff,
- Currency risk,
- Risk related to the volatility of prices for materials,
- Risk of interest rate fluctuations,
- Risk associated with the joint and several liability of members of construction consortia and with the liability for improper performance of construction works by subcontractors,
- Risk of potential penalties for failure to complete contracts,
- Risk connected with potential environmental penalties,
- Risk of underestimating the project costs,
- Risk concerning completing the construction contracts,

- Risk connected with acquiring new contracts,
- Risk related to supply logistics,
- Risk associated with the conditions and procedures for awarding tenders and with the completion of projects,
- Risk of growing a portfolio of overdue receivables,
- Risk related to financial agreements,
- Liquidity risk,
- Risk of implementing the strategy,
- Risk associated with obtaining financing for the implementation of construction contracts and obtaining contract guarantees,
- Risk related to weather conditions,
- Risk connected with changes in law, including tax law.

Factors other than the aforementioned, which may cause fluctuations in prices of shares in Trakcja - Tiltra S.A., include the following:

- Change in the Trakcja Group's creditworthiness,
- Change in the Trakcja Group's indebtedness,
- Disposal or purchase of assets by Trakcja Group,
- Significant changes in the shareholdership of Trakcja Group,
- Changes made by the capital market analysts to their forecast and recommendations for Trakcja PRKiI, its competitors, partners and sectors of economy, in which the Group operates.

19. Opinion of the Management Board on the published forecast

The Management Board of Trakcja PRKiI S.A. did not publish any financial forecast for 2018.

20. Brief description of significant accomplishments or failures in the first quarter of 2018

In the first quarter of 2018, the Trakcja Group generated net loss of PLN 22,532 thousand.

The Group's significant accomplishments in the 3-month period ended March 31, 2018 include the following:

- Signing new contracts valued at PLN 426 million (excluding the part assigned to consortium partners), which constitutes an increase of PLN 177 million (71%) in comparison to the same period of the previous year.
- Rebuilding the contracts portfolio.
- Securing the availability of guarantee limits: as at March 31, 2018 the Trakcja Group's companies had at their disposal guarantee limits in the amount of up to PLN 797 million.

21. Information material for the assessment of the Group's employment, assets, financial condition and performance and changes therein, as well as information material for the assessment of the Parent Company's ability to meet its obligations

No information material for the assessment of the Group's employment, assets, financial condition and performance and changes therein or for the assessment of the Group's ability to meet its obligations is available other than that presented in these condensed consolidated financial statements for the 3-month period ended on March 31, 2018.

22. Change in impairment losses and write-downs

	Long-term investment	Goodwill	Inventory	Receivables	Total
As at 1.01.2018	792	61 532	634	69 649	132 607
<i>Audited</i>					
Changes in accounting standards - IFRS 9	-	-	-	2 751	2 751
As at 1.01.2018 after adjustments	792	61 532	634	72 400	135 358
Recognized	-	-	-	1 388	1 388
Variances due to currency translation	-	-	4	20	24
Used	-	-	-	(47)	(47)
Reversed	-	-	-	(546)	(546)
As at 31.03.2018	792	61 532	638	73 215	136 177
<i>Unaudited</i>					

23. Provisions

As at 1.01.2018	26 096
<i>Audited</i>	
Recognized	2 784
Foreign exchanges due to currency translation	70
Used	(4 786)
Reversed	(185)
As at 31.03.2018	23 979
<i>Unaudited</i>	
including	
- long-term	11 780
- short-term	12 199

24. Acquisitions and disposals of tangible non-current assets and other intangible assets

From January 1, 2018 to March 31, 2018, the Group purchased tangible non-current assets and intangible assets in the amount of PLN 12,434 thousand (as compared to PLN 18,838 thousand in the comparable period of 2017).

From January 1, 2018 to March 31, 2018, the Group disposed of tangible non-current assets and intangible assets in the total book value of PLN 100 thousand (as compared to PLN 1,557 thousand in the comparable period of 2017).

25. Information on changes in the measurement method for financial instruments measured at fair value

In the first quarter of 2018, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the annual consolidated financial statements. The carrying amounts of financial assets and liabilities are close to their fair values.

Due to a short-term nature of trade and other receivables and trade and other liabilities, as well as cash and cash equivalents, the carrying amounts of these financial instruments are close to their fair value.

Any borrowings granted and any loans and borrowings incurred are based on the variable market rates linked to WIBOR and EURIBOR, and therefore their fair values are close to their carrying amounts.

The fair value of the IRS contracts (classified as financial derivatives) is calculated as the present value of future cash flows estimated using the yield curves.

In the first quarter of 2018, no fair value was reallocated to level 1, 2 or 3.

26. Information on reclassification of financial assets due to changes in their purpose or use

In the first quarter of 2018, the Group did not reclassify any financial assets due to changes in their purpose or use

27. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment property and financial derivatives. In the period of 3 months ended March 31, 2018 the measurement method for the aforementioned assets and liabilities remained unchanged. The measurement method applied and the unobservable inputs used for measurement are described in detail in the Group's consolidated annual financial statements for 2017.

Balance sheet elements accounted in fair value	Level 1		Level 2		Level 3	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017	31.03.2018	31.12.2017
Derivatives (liability)	-	-	5 074	5 311	-	-
Investment property	-	-	-	-	20 097	20 097
Office properties	-	-	-	-	15 438	15 438
Land properties	-	-	-	-	1 715	1 715
Deposits of natural resources	-	-	-	-	2 944	2 944

In the period of 3 months ended March 31, 2018 no reallocations were made to level 1, 2 or 3.

28. Information on segments

Segments are described in the consolidated annual financial statements of Trakcja Group for 2017.

Key customers:

In the period of 3 months of 2018, revenues from transactions with external single customers constituted respectively 10% or more of the total revenues of the Group. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below.

The total amount of revenues achieved during the 3 months ended on 31.03.2018 from major customers (thousand PLN)	Operation segment containing the revenues
150 815	Civil construction - Poland

The Group does not present its revenues from external customers by revenues from goods and revenues from services, because the performance of segments is analysed in terms of the construction contracts completed by individual segments.

Operating segments:

For the period from 1.01.2018 to 31.03.2018

Unaudited

	Continued operations						
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	179 216	25 880	-	205 096	-	-	205 096
Sales between segments	1 264	-	2	1 266	-	(1 266)	-
Total segment revenues	180 480	25 880	2	206 362	-	(1 266)	205 096
Results							
Depreciation	4 758	2 611	26	7 395	-	-	7 395
Financial income - interests	38	847	22	907	-	-	907
Financial expenses - interests	826	584	3	1 413	-	-	1 413
Gross profit	(13 159)	(11 794)	(731)	(25 684)	-	-	(25 684)

For the period from 1.01.2017 to 31.03.2017

Unaudited

	Continued operations						
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	95 671	40 059	926	136 656	-	-	136 656
Sales between segments	2	-	-	2	-	(2)	-
Total segment revenues	95 673	40 059	926	136 658	-	(2)	136 656
Results							
Depreciation	5 145	2 448	6	7 599	-	-	7 599
Financial income - interests	92	900	4	996	-	(23)	973
Financial expenses - interests	1 181	743	24	1 948	-	(23)	1 925
Gross profit	2 544	(9 480)	33	(6 903)	-	-	(6 903)

As at 31.03.2018

	Continued operations						
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Segment assets	899 125	607 562	39 324	1 546 011	-	(198 513)	1 347 498
Assets not allocated to segments							11 288
Total assests							1 358 786
Segment liabilities*	438 427	121 539	2 738	562 704	-	(66 018)	496 686
Other disclosures:							
Capital expenditure	(7 716)	(2 945)	(11)	(10 672)	-	-	(10 672)
Impairment of non-financial assets	75	-	-	75	-	-	75

* short-term liabilities were allocated to assess segment

As at 31.12.2017

Audited

	Continued operations						
	Civic building - Poland	Construction, engineering and concession agreements segment - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Segment assets	935 784	674 328	39 919	1 650 031	-	(217 587)	1 432 444
Assets not allocated to segments							9 836
Total assests							1 442 280
Segment liabilities*	454 984	189 080	2 603	646 667	-	(83 374)	563 293
Other disclosures:							
Capital expenditure	(35 193)	(19 860)	-	(55 053)	-	-	(55 053)
Impairment of non-financial assets	(959)	-	-	(959)	-	-	(959)

* short-term liabilities were allocated to assess segment

Geographical segments:

For the period from 1.01.2018 to 31.03.2018

Unaudited

	Continued operations					Total operations
	Domestic	Abroad	Total	Discontinue	Exclusions	
Revenues						
Sales to external customers	180 478	24 618	205 096	-	-	205 096
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	180 478	24 618	205 096	-	-	205 096

For the period from 1.01.2017 to 31.03.2017

Unaudited

	Continued operations					Total operations
	Domestic	Abroad	Total	Discontinue	Exclusions	
Revenues						
Sales to external customers	96 597	40 059	136 656	-	-	136 656
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	96 597	40 059	136 656	-	-	136 656

As at 31.03.2018

Unaudited

	Continued operations					Total operations
	Domestic	Abroad	Total	Discontinue	Exclusions	
Operating assets	940 158	605 853	1 546 011	-	(198 513)	1 347 498
Segment liabilities*	459 815	102 889	562 704	-	(66 018)	496 686

* short-term liabilities were allocated to assess segment

As at 31.12.2017

Audited

	Continued operations					Total operations
	Domestic	Abroad	Total	Discontinue	Exclusions	
Operating assets	977 469	672 562	1 650 031	-	(217 587)	1 432 444
Segment liabilities*	476 153	170 514	646 667	-	(83 374)	563 293

* short-term liabilities were allocated to assess segment

29. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	31.03.2018 <i>Unaudited</i>	31.12.2017 <i>Audited</i>
Contingent receivables		
From related entities due to:	79 571	79 285
Received guarantees and sureties	77 856	76 107
Bills of exchange received as collateral	1 715	3 178
Total contingent receivables	79 571	79 285
From related entities due to:		
From other entities due to:	2 547 400	2 645 100
Provided guarantees and sureties	792 231	796 255
Promissory notes	503 548	485 219
Mortgages	149 480	149 039
Assignment of receivables	958 635	1 071 118
Assignment of rights under insurance policy	54 376	54 301
Security deposits	22 092	22 174
Other liabilities	67 038	66 994
Total contingent liabilities	2 547 400	2 645 100

Contingent liabilities due to guarantees and sureties granted for the benefit of other entities are mainly guarantees issued by banks for the benefit of business partners of the Group members as collateral for their claims against the Group arising out of the construction contracts performed (performance bonds, retention bonds and advance payment guarantees). Banks have a right of recourse against the Group. Promissory notes are a different form of collateral for the aforementioned bank guarantees.

As at March 31, 2018, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 1,418 thousand (December 31, 2017: PLN 1,407 thousand) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1, he or she will pay, immediately and without a termination notice or any demand issued by the Group, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues. Contingent liabilities arising from the employment contracts signed with employees. As at March 31, 2018 - amounted to PLN 9,321 thousand (as compared to PLN 8,600 thousand as at December 31, 2017).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland and Lithuania results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Group may be increased by additional tax liabilities. In the Group's opinion, the provisions recognised as at March 31, 2018 are sufficient to mitigate the recognised and measurable tax risk.

The Group recognises the right of perpetual usufruct of land acquired free of charge as operating lease (off-balance-sheet item) in the amount of PLN 1,567 thousand.

30. Information on sureties for loans or borrowings and on guarantees granted by the Parent Company or its subsidiary

In the first quarter of 2018, neither the Parent Company nor its subsidiaries did grant any sureties for credits or loans or any guarantees to any entity or its subsidiary, whose total value of existing sureties and guarantees is significant.

31. Significant court cases and disputes

The Parent Company below indicates significant proceedings pending before a court or other body regarding its liabilities and receivables and its subsidiaries.

Proceedings concerning the Parent Company:

The case concerning reporting the liability from Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości likwidacyjnej in Warsaw (as at the date of commencement of proceedings, the case value exceeded 10 % of the Company' 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 PRKiL S.A. in Warsaw. In connection with the announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (hereinafter referred to as the "PNI") with an option of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław provided a submission of claims of 20 November 2012 to the bankruptcy court. The submission covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the declaration of bankruptcy, as well as the accrued contractual penalties.

To the Company's best knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja PRKiL S.A. were recognised in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 for the unpaid invoices and PLN 294,632.29 for the interest for delay in payment. The Company's receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were dismissed. The Company did not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the Company filed a complaint which was overruled.

On June 8, 2015 the Company received a notice from the trustee in bankruptcy on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

Case against Leonhard Weiss International GmbH

As Leonhard Weiss International failed to respond to the statement including a debit note and a request for payment dated October 31, 2017, of which the Group informed in the consolidated report for the 9-month period ended on September 30, 2017 in Note 25 "Interests in joint ventures", the Parent Company decided to take the case to court. The case against Leonhard Weiss International GmbH ("LWI") for payment due under the sale agreement of 50 % of shares in Bahn Technik Wrocław Sp. z o.o. The statement of claim was submitted to the Regional Court in Warsaw on December 29, 2017, but has not yet been served on LWI. Therefore it is impossible to precisely indicate the expected closing date of the case. The Parent Company expects that an enforceable solution may be issued in the second half of 2019 or in the first half of 2020.

The value of the Parent Company's claim is PLN 20 551 495.00, including the statutory interest calculated as follows:

- 1) on PLN 7 500 000.00 from November 17, 2017 to the payment date,
- 2) on PLN 12 756 000.00 from December 8, 2017 to the payment date,
- 3) on PLN 295 495.00 from December 8, 2017 to the payment date.

The Parent Company requested also that the defendant reimburse the Company with the costs of the proceedings, including the costs of legal representation, in accordance with the cost records. At this stage, it is impossible to objectively at least estimate the amount of interest and costs of the proceedings which could be ordered to be paid for the benefit of the Company.

Proceedings against PKP PLK S.A.

On October 31, 2017 the Parent Company filed a case against PKP PLK S.A. for the payment of PLN 46 747 276.90 (including, interest of PLN 4 913 969.34), requesting that compensation be paid to it in connection with extension of the completion date of the agreement entitled: "Design and completion of construction works on the railway line Kraków – Medyka – State border, at the section Podłęże – Bochnia, km 16.000 – 39.000 as part of the project "Modernisation of railway line E 30/C-E30, section Kraków – Rzeszów, phase III" that a part of the lump-sum fee due to the Parent Company and unpaid by PKP PLK S.A. be paid to it for the groundless submission of the partial withdrawal from the agreement. On December 12, 2017 the Parent Company expanded the claim whose current value is PLN 50 517 012.38 (including, interest of PLN 5 336 177.01). The extension pertained to the Parent Company's claims against PKP PLK S.A. in relation to the groundless enforcement of the contractual penalties accrued and the part of remuneration for the performance of the contract and agreements for additional works, which PKP PLK S.A. unreasonably refuses to pay. The case is at the early stage of proceedings and its resolution date is difficult to predict.

On October 31, 2017 the Company along with Przedsiębiorstwo Budowlane "FILAR" Spółka z ograniczoną odpowiedzialnością based in Wrocław, and Berger Bau Polska Spółka z ograniczoną odpowiedzialnością based in Wrocław, has filed a case against PKP PLK S.A. for reimbursement of additional costs related with the extension of the completion date of the Contract No. 90/116/0006/11/Z/I for basic linear construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of the Dolnośląskie Province within the scope of the project entitled "Modernisation of railway line E 59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of the Dolnośląskie Province". The Parent Company's portion of the claim is PLN 11 640 113.77 (including, interest of PLN 1 415 797.02). The case is at the early stage of proceedings and its resolution date is difficult to predict.

On October 31, 2017 the Parent Company filed a case in the payment order proceedings against PKP PLK S.A. for the payment of PLN 12 221 007.10 (including, interest of PLN 1 821 726.10), requesting that unjust enrichment in the form of unpaid remuneration be refunded for the completion:

- a) of additional works in connection with Contract No. 90/132/121/00/17000031/10/I/I dated December 16, 2010 for the "Design and implementation of the construction works at the railway line Kraków – Medyka – national border, at the section Dębica – Sędziszów Małopolski (111.500 km – 133.600 km) under the project POLiŚ 7.1-30 "Modernisation of railway line E30/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.2" in the total amount of PLN 7 570 281.00.
- b) of additional works in connection with Contract No. 90/132/336/00/17000031/10/I/I dated November 29, 2010 for the "Design and implementation of the construction works at the railway line Kraków – Medyka – national border, at the section Sędziszów Małopolski – Rzeszów Zachodni under the project POLiŚ 7.1-30 "Modernisation of railway line E3/C-E 30, section Kraków – Rzeszów, phase III" Tender proceedings 2.3" in the total amount of PLN 2 829 000.00.

The case is at the early stage of proceedings and its resolution date is difficult to predict.

Proceedings regarding subsidiaries:

AB Kauno Tiltai

The investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which a subsidiary, AB Kauno Tiltai, is a member, for a total amount of PLN 63,083,535.19 (EUR 14,989,556,33). The share of Trakcja Group in liabilities (if any) that may arise from these proceedings is 65 %. In the course of the long-lasting process the court appointed an independent expert, who confirmed the opinion of the company that the aforementioned claim was unjustified. Therefore, the company's management believes that there is a substantial likelihood that the potential penalty will

be significantly reduced. This allowed AB Kauno tiltai to reverse the provision of EUR 7 752 thousand which was created in 2015 for the contractual penalty accrued. The Group refrained from making any other disclosures related to this court case by invoking clause 92 of IAS 37.

32. Dividends paid and declared

In the first quarter of 2018, the Parent Company did not declare and pay dividends.

33. Information on related entities

In the first quarter of 2018, the Group companies did not make any significant transactions with their related entities on terms other than at arm's length. Transactions made by the Parent Company and its subsidiaries (related entities) are the arm's length transactions and their nature is a result of the current operations conducted by the Parent Company and its subsidiaries.

Please find below the totals of transactions made with related entities from January 1, 2018 to March 31, 2018:

Related entities	Financial year	Sale to related entities	Purchases from related entities
Shareholders of parent company:			
COMSA S.A.	1.01.2018 - 31.03.2018	3 538	461
	1.01.2017 - 31.03.2017	18 089	461
Total		3 538	461
		18 089	461

Please also find below information on any receivables from and liabilities towards related entities March 31, 2018:

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities
Shareholders of parent company:			
COMSA S.A.	31.03.2018	4 723	461
	31.12.2017	2 780	808
Total		4 723	461
		2 780	808

The Parent Company and its shareholder, COMSA S.A., have signed an agreement for granting to Trakcja PRKil S.A. a licence for the entire technical know-how and trademark, as well as for providing non-material goods in the form of competences, industry knowledge and expert knowledge in terms of organization, operations, sales and technology of COMSA S.A. The agreement has been concluded at arm's length.

34. Significant events in the first quarter of 2018 and after the balance sheet date

Please find below a summary of significant events that took place in the first quarter of 2018.

Important events in the first quarter of 2018

Significant contracts	CR
The Management Board of Trakcja PRKiI S.A. ("Company", "Issuer") informs that the Company, acting as the Leader of the Consortium with AB Kauno Tiltai - as the Consortium Partner - has signed a contract with the Municipal Office of the City of Gorzów Wielkopolski and with Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. based in Gorzów, covering the execution of construction works envisaged within the project of the development of a "System of Sustainable Municipal Transport in Gorzów Wielkopolski", related to the municipal transport system, including: the renovation of tramway tracks, construction of tramway platforms and roads - in accordance with the contractual scope.	2/2018
Changes in the Company's Management Board	CR
On 09.03.2018 Mr Jarosław Tomaszewski submitted a statement of resignation from the function of the President of the Management Board of the Company and the Member of the Management Board of the Company with the effect for the day June 30th, 2018.	3/2018
Other	CR
On 12.01.2018 The Management Board of Trakcja PRKiI S.A. (the Company) made public the dates of publication of periodic reports in 2018.	1/2018

Please find below a summary of significant events that took place after the balance sheet date:

Important events after the balance sheet date

Significant contracts	CR
On 10.04.2018 Issuer's subsidiary – AB Kauno tiltai (with its registered office in Lithuania) signed an agreement with AB Litgrid regarding project for "procurement of design and contract works – optimisation of the North-East Lithuania electricity transmission grid and its preparation for operation in the synchronous grid of Continental Europe (procurement No. 189494)".	4/2018
Changes in the Company's Management Board	CR
On 27.04.2018 under the agreement between Mr. Jarosław Tomaszewski - the President of the Management Board and the Supervisory Board, Mr. Jarosław Tomaszewski resigned from the position of the President of the Management Board, Member of the Management Board and Chief Executive Officer. Mr. Jarosław Tomaszewski will perform the indicated functions until April 27, 2018.	5/2018
Other	CR
On 09.05.2018 the Parent Company published the preliminary financial results for the period of 3 months ended on 31 March 2018.	6/2018

IV. QUARTERLY FINANCIAL INFORMATION

STANDALONE INCOME STATEMENT

	1.01.2018 - 31.03.2018	1.01.2017 - 31.03.2017
	<i>Unaudited</i>	
Continued operations		
Sales revenue	170 222	91 721
Cost of goods sold	(172 983)	(79 402)
Gross profit (loss) on sales	(2 761)	12 319
Cost of sales, marketing and distribution	(499)	(483)
General and administrative costs	(6 674)	(5 565)
Other operating revenues	345	149
Other operating costs	(486)	(160)
Operating profit (loss)	(10 075)	6 260
Financial revenues	276	67
Financial costs	(1 241)	(1 489)
Gross profit (loss)	(11 040)	4 838
Income tax	1 469	(903)
Net profit (loss) from continued operations	(9 571)	3 935
Net profit (loss) from discontinued operations	-	-
Net profit for the period	(9 571)	3 935
Profit per share attributable to shareholders in the period (PLN per share)		
- basic	(0,19)	0,08
- diluted	(0,19)	0,08

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	1.01.2018 - 31.03.2018	1.01.2017 - 31.03.2017
	<i>Unaudited</i>	
Net profit for the period	(9 571)	3 935
Other comprehensive income:		
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		
Actuarial gains/(losses)	-	(79)
Other comprehensive income that will be reclassified into profit or loss:	(16)	23
Foreign exchange differences on translation of foreign operations	(16)	23
Total other comprehensive income	(16)	(56)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(9 587)	3 879

STANDALONE BALANCE SHEET

	31.03.2018 <i>Unaudited</i>	31.12.2017 <i>Audited</i>
ASSETS		
Non-current assets	667 317	664 541
Tangible non-current assets	145 324	141 389
Intangible assets	52 583	52 961
Investment properties	17 174	17 174
Investments in subsidiaries	436 241	436 241
Other financial assets	3 343	5 507
Deferred tax assets	5 378	3 811
Accruals	7 274	7 458
Current assets	416 139	444 634
Inventory	70 227	53 105
Trade and other receivables	158 952	230 975
Income tax receivables	133	134
Other financial assets	13 359	10 318
Cash and cash equivalents	1 493	20 618
Accruals	10 153	7 749
Construction contracts and advances paid towards contracts being performed	158 760	118 673
Assets held for sale	3 062	3 062
TOTAL ASSETS	1 083 456	1 109 175
Equity and liabilities		
Equity	621 613	631 598
Share capital	41 120	41 120
Share premium account	309 984	309 984
Revaluation reserve	5 805	5 804
Other capital reserves	242 244	242 643
Retained earnings	22 469	32 040
Foreign exchange differences on translation of foreign operations	(9)	7
Total equity	621 613	631 598
Long-term liabilities	46 190	51 178
Interest-bearing loans and borrowings	39 820	44 508
Provisions	3 913	4 035
Liabilities due to employee benefits	2 457	2 635
Short-term liabilities	415 653	426 399
Interest-bearing loans and borrowings	85 473	19 737
Trade and other liabilities	184 513	252 084
Provisions	4 932	7 316
Liabilities due to employee benefits	8 229	8 099
Accruals	397	366
Construction contracts and advances received towards contracts being performed	132 109	138 797
TOTAL EQUITY AND LIABILITIES	1 083 456	1 109 175

STANDALONE STATEMENT OF CASH FLOWS

	1.01.2018 - 31.03.2018 <i>Unaudited</i>	1.01.2017 - 31.03.2017 <i>Unaudited</i>
<i>Cash flows from operating activities</i>		
Gross profit from continued operations	(11 040)	4 838
Adjustments for:	(59 178)	11 215
Depreciation	3 467	3 324
Net interest and dividends	912	773
Profit on investment activities	11	49
Change in receivables	71 956	149 660
Change in inventory	(17 123)	(10 464)
Change in liabilities, excluding loans and borrowings	(67 321)	(101 492)
Change in prepayments and accruals	(2 190)	(3 641)
Change in provisions	(2 507)	(10 125)
Change in construction contracts and advances towards contracts being performed	(46 774)	(14 700)
Income tax paid	-	(2 229)
Other	400	59
Foreign exchange differences on translation of foreign operations	(9)	1
Net cash flows from operating activities	(70 218)	16 053
<i>Cash flows from investment activities</i>		
Sale (purchase) of intangible assets and tangible non-current assets	(6 991)	(4 128)
- acquisition	(7 014)	(4 130)
- sale	23	2
Financial assets	74	(2 096)
- granted or acquired	1 354	101
- repaid	(1 280)	(2 197)
Loans	(2 000)	1 000
- granted	-	1 000
- repaid	(2 000)	-
Net cash flows from investment activities	(8 917)	(5 224)
<i>Cash flows from financial activities</i>		
Proceeds on account of taken borrowings and loans	65 453	-
Repayment of borrowings and loans	(2 420)	(1 107)
Interests and commissions paid	(976)	(887)
Inflows (outflows) due to other financial liabilities	(15)	4 071
Payment of liabilities under financial lease agreements	(2 032)	(2 542)
Net cash flows from financial activities	60 010	(465)
Total net cash flows	(19 125)	10 364
Cash at start of period	20 618	18 820
Cash at end of period	1 493	29 184

STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
				Actuarial gains/ (losses)	Results from previous years			
As at 1.01.2018 Audited	41 120	309 984	5 804	391	242 252	7	32 040	631 598
IFRS 9 implementation	-	-	-	-	(401)	-	-	(401)
As at 1.01.2018 after adjustments	41 120	309 984	5 804	391	241 851	7	32 040	631 197
Net profit for the period	-	-	-	-	-	-	(9 571)	(9 571)
Other comprehensive income	-	-	-	-	-	(16)	-	(16)
Other changes	-	-	1	-	2	-	-	3
As at 31.03.2018 Unaudited	41 120	309 984	5 805	391	241 853	(9)	22 469	621 613
As at 1.01.2017 Audited	41 120	309 984	5 800	470	239 247	(9)	28 699	625 311
Net profit for the period	-	-	-	-	-	-	3 935	3 935
Other comprehensive income	-	-	-	(79)	-	23	-	(56)
Other	-	-	1	-	1	-	-	2
As at 31.03.2017 Unaudited	41 120	309 984	5 801	391	239 248	14	32 634	629 192

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
				Actuarial gains/(losses)	Results from previous years			
As at 01.01.2017 Audited	41 120	309 984	5 800	470	239 247	(9)	28 699	625 311
Net profit for the period	-	-	-	-	-	-	32 040	32 040
Other comprehensive income	-	-	-	(79)	-	16	-	(63)
Distribution of profit	-	-	-	-	2 999	-	(2 999)	-
Divided payment	-	-	-	-	-	-	(25 700)	(25 700)
Other	-	-	4	-	6	-	-	10
As at 31.12.2017 Audited	41 120	309 984	5 804	391	242 252	7	32 040	631 598

V. NOTES TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS

1. Analysis of the financial performance of Trakcja PRKi S.A. for the first quarter of 2018

During Q1 ended on 31 March 2018, Trakcja PRKi S.A. generated revenue on sales in the amount of PLN 170,222 thousand, which constitutes a growth of 85.6% in relation to the analogical period of 2017. The cost of goods sold during Q1 2018 increased by PLN 93,581 thousand, i.e. by 117.9%, and amounted to PLN 172,983 thousand. In Q1 2018 the Company reported gross loss of PLN 2,761 thousand. The margin of the gross result on sales in Q1 2018 reached -1.62%. The margin dropped by 15.1 p.p. in comparison to the margin in Q1 2017. The factors with the largest influence on the level of revenue on sales and the results of Q1 2018 include the seasonality of sales, characteristic for entities operating in the construction sector, which reflects in a substantially lower level of revenue obtained in the first quarter of a year and generating a significant part of revenue on sales in the second half of a calendar year. Moreover, during Q1 2018 the Company has settled contracts, which were obtained in previous years, during a difficult bidding period for the sector, and therefore were conducted with low profitability. The results of Q1 2018 presented above were also affected by the extraordinary increase of the prices of infrastructural construction, subcontracting and costs of payroll. In addition, the Dominating Entity incurs costs related with a diversification of activity on the industrial power sector and re-entering the tramway segment (city market). Moreover, the Company is continuing preparations of business on foreign markets, where selected investment programs go as far as the year 2030.

Overhead costs reached PLN 6,674 thousand and increased by 19.9%, by PLN 1,109 thousand in regard to the comparable period. The costs of sales, marketing and distribution reached PLN 499 thousand and increased by PLN 16 thousand in comparison to the analogical period of the previous year.

The balance of other operating activity reached a negative value of PLN -141 thousand. The loss increased by PLN 130 thousand in relation to the analogical period of the comparable period. For the period from 1 January 2018 to 31 March 2018 the Company reported a loss on operations in the amount of PLN 10,075 thousand. The result on operations decreased by PLN 16,335 thousand in comparison to the result on operations for Q1 2017, when the profit on operations reached PLN 6,260 thousand.

The Company's financial revenue reached PLN 276 thousand and increased by PLN 209 thousand in comparison to financial revenue for Q1 2017. Financial costs decreased by PLN 248 thousand and were at PLN 1,241 thousand.

For the period from 1 January 2018 to 31 March 2018 the Company reported gross loss in the amount of PLN 11,040 thousand. Income tax during Q1 2018 increased the net result on continued activity by PLN 1,469 thousand. This constitutes an increase in comparison to the analogical period of the previous year by PLN 2,372 thousand. The Company's net loss for the period from 1 January 2018 to 31 March 2018 amounted to PLN 9,571 thousand and this result was lower by PLN 13,506 thousand in relation to the analogical period of the previous year.

At the end of Q1 2018, the Company's balance sheet total amounted to PLN 1,083,456 thousand and was lower from the 2017 balance sheet total balance by PLN 25,719 thousand.

Tangible assets increased by PLN 2 776 thousand and reached PLN 667 317 thousand. Current assets, in comparison to the balance as at 31 December 2017, decreased by PLN 28 495 thousand, which meant a drop by 6.4%, and amounted to PLN 416,139 thousand. This reduction mainly resulted from the decrease in the value of trade receivables and other receivables by PLN 72,023 thousand in comparison to the balance as at 31.12.2017. In addition, the balance of construction contracts and advance payments made to executed contracts increased significantly by PLN 40,087 thousand, and as at 31 March 2018 amounted to PLN 158,760 thousand. The balance of inventory has also increased, by PLN 17,122 thousand, and amounted to PLN 70,227 thousand as at 31 March 2018. The balance of cash and cash equivalents dropped by PLN 19,125 thousand and amounted to PLN 1,493 thousand as at 31 March 2018. This is the

effect of a significant growth in the number of contracts carried out in Q1 2018 (including on the road market), which was connected with high engagement of the Company's working capital including, in particular, cash.

The Company's equity as at 31 March 2018 has decreased by PLN 9,985 thousand in comparison to the balance as at 31 December 2017.

The value of long-term liabilities decreased by PLN 4,998 thousand in relation to the period ended on 31 December 2017 and as at 31 March 2018 reached PLN 46,190. The main factor affecting this reduction was the partial repayment of principal amounts and credits and loans, and a drop in financial lease liabilities. Short-term liabilities reached PLN 415,653 thousand and decreased by 2.5%, i.e. by PLN 10,746 thousand in relation to the balance as at the end of the previous year. Among short-term liabilities, the biggest decreases was reported in regard to trade liabilities, which reached PLN 184,513 thousand and dropped by PLN 67,571 thousand. On the other hand, the balance of short-term interest-bearing credits and loans increased by PLN 65,736 thousand due to the Company obtaining on overdraft and a revolving loan, reaching PLN 85,473 thousand as at 31 March 2018.

The Company started the year 2018 with cash balance of PLN 20,618 thousand, whereas the 3-month period ended with the balance of cash at PLN 1,493 thousand. Net cash flow for the first 3 months of 2018 was negative and amounted to PLN 19,125 thousand, which constitutes a drop by PLN 29,489 thousand in relation to the analogical period of 2017. The company reported negative cash flow on operations in the amount of PLN 70,218 thousand.

2. Seasonality and cyclicity

The sale of the construction and installation, renovation, as well as road and rail services in Poland is of a cyclical nature above all due to the weather conditions. The highest revenues are usually generated in the second and third quarters and the lowest in the first quarter.

3. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	31.03.2018 <i>Unaudited</i>	31.12.2017 <i>Audited</i>
Contingent receivables		
From related entities due to:	78 476	78 389
Received guarantees and sureties	76 761	75 212
Bills of exchange received as collateral	1 715	3 177
Total contingent receivables	78 476	78 389
Contingent liabilities		
From other entities due to:	2 266 949	2 313 021
Provided guarantees and sureties	689 726	701 044
Promissory notes	500 328	481 638
Mortgages	99 000	99 000
Assignment of receivables	843 944	897 275
Assignment of rights under insurance policy	47 349	47 305
Security deposits	19 564	19 765
Other liabilities	67 038	66 994
Total contingent liabilities	2 266 949	2 313 021

Contingent liabilities due to guarantees and sureties granted for the benefit of other entities are mainly guarantees issued by banks for the benefit of business partners of the Company as collateral for their claims against the Company arising out of the construction contracts performed (performance bonds, retention bonds and advance payment

guarantees). Banks have a right of recourse against the Company. Promissory notes are a different form of collateral for the aforementioned bank guarantees.

As at March 31, 2018, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 1,418 thousand (as compared to PLN 1,407 thousand as at December 31, 2017) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Company, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues.

The contingent liabilities arising from employment contracts with employees were at PLN 5,521 thousand as at March 31, 2018 (PLN 5,554 thousand as at December 31, 2017).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Company may be increased by additional tax liabilities. In the Company's opinion, the provisions recognised as at March 31, 2018 are sufficient to mitigate the recognised and measurable tax risk.

The Company recognises the right of perpetual usufruct of land acquired free of charge as operating lease (off-balance sheet item) in the amount of PLN 1,567 thousand.

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

- **IFRS 9 "Financial Instruments"** - IFRS 9 "Financial Instruments" introduces changes to the classification of financial assets (at amortized cost and at fair value, charged to the profit and loss statement or to other total income), as well as the rules of impairment of financial assets (the expected loss model should be applied instead of the incurred loss model), and modifies the approach to hedge accounting.

The Company applied IFRS 9 retrospectively to periods commencing after 1 January 2018 without a transformation of comparable data. Differences resulting from revaluation of financial assets as of the date of the first application of IFRS 9 were recognized in other reserve capital.

The Company recognized the effect of expected losses on the financial statements in terms of trade receivables. For infrastructural entities, as of every balance sheet day, the Company individually assesses expected losses to recognized amounts of receivables, and the probability of their occurrence. This assessment is performed on the basis of the estimated result of negotiations in case of disputes. For other entities, the Company has applied the model of a group-based assessment of expected losses. For the purpose of estimating the expected credit loss the Company uses historical credit loss levels depending on ageing periods, adjusted by current expectations as to the future shaping of these factors. Therefore, as at 1 January 2018, impairments (after having accounted for deferred tax) have increased the Company's equity by PLN 266 thousand, corresponding to an increase of the balance sheet value of trade receivables and other receivables.

In connection with the recognition of the influence of the discount of deposits and retained amounts on the financial statements, as at 1 January 2018 the equity was decreased by PLN 667 thousand, in correspondence with a reduction of the balance sheet value of surety and retained amounts.

	31.12.2017	MSSF 9 influence	1.01.2018
ASSETS			
Non-current assets	664 541	(972)	663 569
Other financial assets	5 507	(1 068)	4 439
Deferred tax assets	3 811	96	3 907
Current assets	444 634	260	444 894
Trade and other receivables	230 975	260	231 235
TOTAL ASSETS	1 109 175	(712)	1 108 463
Equity and liabilities			
Equity	631 598	(401)	631 197
Other capital reserves	242 643	(401)	242 242
Total equity	631 598	(401)	631 197
			-
Long-term liabilities	51 178	-	51 178
Short-term liabilities	426 399	(311)	426 088
Trade and other liabilities	252 084	(311)	251 773
TOTAL EQUITY AND LIABILITIES	1 109 175	(712)	1 108 463

- IFRS 15 “Revenues from Contracts with Customers”**

As from 1 January 2018, IFRS 15 applies, which replaced IAS 11 “Construction Contracts” and IAS 18 “Revenue”. Recognition of revenue in accordance with IFRS 15 should present the transaction of transferring the goods or services to the customer (Ordering Party) in the amount reflecting the value of the remuneration expected by the entity in exchange for these goods or services.

The IFRS 15 introduces a five-stage model of revenue recognition: 1. Contract identification, 2. Identification of liabilities to be performed, 3. Determination of the transaction price, 4. Assignment of the transaction price, 5. Revenue recognition.

The Company has conducted an analysis of the content of sales agreements concluded with customers (construction contracts), to identify any differences resulting from the implementation of IFRS 15 and recognition of revenue according to the above-mentioned five-stage model.

As a result of conducted works, the Company has concluded that the implementation of IFRS has no significant effect on the financial statements and has not made any adjustments on the account of the implementation of IFRS 15 as at 1 January 2018.

In connection with the implementation of IFRS 15, the Company has updated the accounting policy in terms of recognition of revenue, to adjust it to the IFRS 15 terminology, and will modify disclosures in the scope required by the aforementioned standard. The Company has introduced IFRS 15 in accordance with the modified retrospective method.

As from 1 January 2018, the Company has been recognising revenue on the account of providing uncompleted construction services in accordance with the 5-stage model, and applies the input-based method to assess the state of completion of the provided service. In the opinion of the Management Board, the input-based method is the best adjusted method to determine revenue on long-term contracts.

As a result of conducted works, no significant effect of IFRS 15 on the development activities of the Company has been found. The Company recognizes revenue on sales of apartments and houses upon the transfer of ownership, by PLN signing the final property deed.

Marek Kacprzak

Vice-President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Aldas Rusevičius

Vice-President of the Management Board

Maciej Sobczyk

Vice-President of the Management Board

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Warsaw, May 17, 2018