



# **TRAKCJA CAPITAL GROUP**

CONSOLIDATED SEMI-ANNUAL REPORT  
FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2014

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

## **CONTENTS OF THE CONSOLIDATED SEMI-ANNUAL REPORT**

- I. Selected financial data of the Trakcja Capital Group
- II. Interim condensed consolidated financial statements of the Trakcja Capital Group
- III. Interim condensed financial statements of Trakcja PRKiI S.A.
- IV. The Management Board's report on the activity of the Trakcja Capital Group
- V. The Management Board's representations on the adopted accounting principles and selection of the entity qualified to audit financial statements reviewing the consolidated financial statements
- VI. The auditor's review report on the interim condensed financial statements of Trakcja PRKiI S.A.
- VII. The auditor's review report on the interim condensed consolidated financial statements of Trakcja Capital Group

## SELECTED FINANCIAL DATA OF THE CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
30.06.2014 r.	4,1784	4,0998	4,2375	4,1609
31.12.2013 r.	4,2110	4,0671	4,3432	4,1472
30.06.2013 r.	4,2140	4,0671	4,3432	4,3292

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

Main consolidated balance sheet line items converted into euro:

	30.06.2014		31.12.2013	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	723 910	173 979	721 155	173 890
Current assets	902 265	216 844	915 648	220 787
<b>Total assets</b>	<b>1 626 175</b>	<b>390 823</b>	<b>1 636 803</b>	<b>394 677</b>
Equity	640 706	153 983	632 958	152 623
Long-term liabilities	189 647	45 578	113 664	27 407
Short-term liabilities	795 822	191 262	890 181	214 647
<b>Total equity and liabilities</b>	<b>1 626 175</b>	<b>390 823</b>	<b>1 636 803</b>	<b>394 677</b>

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

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

	6 month period ended 30.06.2014		6 month period ended 30.06.2013	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	579 076	138 588	434 865	103 195
Cost of goods sold	(529 154)	(126 640)	(401 619)	(95 306)
Gross profit (loss) on sales	49 922	11 948	33 246	7 889
Operating profit (loss)	20 613	4 933	13 350	3 168
Gross profit (loss)	12 000	2 872	3 676	872
Net profit (loss) from continued operations	9 133	2 186	187	44
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	9 133	2 186	187	44

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

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

	For the period of 6 months ended 30.06.2014		For the period of 6 months ended 30.06.2013	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(34 643)	(8 291)	(183 196)	(43 473)
Cash flows from investment activities	2 171	520	2 360	560
Cash flows from financial activities	24 224	5 797	111 462	26 450
Total net cash flows	(8 248)	(1 974)	(69 374)	(16 463)

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

	30.06.2014		30.06.2013	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	83 599	20 158	121 143	29 632
Cash at end of period	75 351	18 109	51 769	11 958

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

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

As at the last day of the financial year ended December 31, 2012, the FX rate was 4,0882 PLN/EUR.



# **TRAKCJA CAPITAL GROUP**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2014  
PREPARED IN COMPLIANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

## APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKił S.A. has approved the condensed consolidated financial statements of the Trakcja Capital Group for the period from January 1, 2014 to June 30, 2014.

The condensed consolidated financial statements for the period from January 1, 2014 to June 30, 2014 have been prepared according to the International Financial Reporting Standards (IFRS) approved by the European Union applicable to interim reporting (MSR 34).

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

1. Consolidated profit and loss account for the period from January 1, 2014 to June 30, 2014, showing a net profit of PLN **9,133** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2014 to June 30, 2014, showing the total comprehensive income of PLN **7,351** thousand.
3. Consolidated balance sheet prepared as at June 30, 2014, showing total assets and total equity and liabilities of PLN **1,626,175** thousand.
4. Consolidated cash flow statement for the period from January 1, 2014 to June 30, 2014, showing a decrease in the cash balance by the amount of PLN **8,248** thousand.
5. Statement of changes in consolidated equity for the period from January 1, 2014 to June 30, 2014, showing an increase to consolidated equity by the amount of PLN **7,748** thousand.
6. Condensed notes and explanations.

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

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

Roman Przybył  
President of the Board

Marita Szustak  
Vice – president of the Board

Stefan Dziedziul  
Vice – president of the Board

Nerijus Eidukevičius  
Vice – president of the Board

Jarosław Tomaszewski  
Vice – president of the Board

Warsaw, August 29, 2014

## CONTENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT	9
CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME	10
CONSOLIDATED BALANCE SHEET	11
CONSOLIDATED CASH FLOW STATEMENT	12
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY	13
CONDENSED NOTES AND EXPLANATIONS	15
1. General information	15
2. Composition of the Group and changes in the Group's structure in the period covered by the consolidated financial statements	16
3. Changes in Capital Group	18
4. Composition of the Parent Company's Management Board	19
5. Composition of the Parent Company's Supervisory Board	19
6. Approval of the consolidated financial statements	19
7. Basis for drawing up the consolidated financial statements	19
8. Statement of compliance	20
9. Significant values based on professional judgment and estimates	20
9.1. Professional judgment	20
9.2. Uncertainty of estimates	21
10. Accounting principles and changes during the half year	23
10.1. Selected accounting principles	23
10.2. Changes resulting from amendments to IFRS	24
10.3. Changes introduced by the Group	27
11. New standards and interpretations	31
12. Concise description of significant achievements or failures during the I half of the year 2014	33
13. The type and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual due to their nature, size or incidence	33
14. Information on operational and geographical segments	33
15. Sales revenue	37
16. Other operating income	37
17. Financial expenses	37
18. Income tax	38
19. Property, plant and equipment	38
20. Purchases and sales of property, plant and equipment and other intangible assets	38
21. Commitments to purchase of property, plant and equipment	38
22. Consolidation goodwill	39
23. Investment property	41
24. Inventory	42
25. Trade receivables and other receivables	42
26. Cash and cash equivalent	42

27.	Construction contracts _____	43
28.	Equity _____	43
29.	Non-controlling shares _____	43
30.	Interest-bearing bank credits and loans _____	44
31.	Failure to repay a loan or a violation of the loan agreement, for which there were no corrective action ____	45
32.	Bonds _____	45
33.	Other financial liabilities _____	45
34.	Derivatives _____	46
35.	Provisions _____	46
36.	Unwinding of any provision for restructuring costs _____	46
37.	Trade liabilities and other liabilities _____	47
38.	Fair value of financial instruments _____	47
39.	Assets and liabilities measured in fair value _____	48
40.	Changes in business or economic circumstances that affect the fair value of financial assets and liabilities of the Group, depending on whether they are recognized at fair value or at amortized cost _____	48
41.	Change of the write downs and impairments of assets _____	48
42.	Joint ventures _____	48
43.	Additional information to the cash flow statement _____	49
44.	Contingent items and other off-balance sheet items _____	50
45.	Events occurring after the end of the reporting period _____	50
46.	Seasonal and cyclical activities _____	51
47.	Change in classification of financial assets as a result of changes in their purpose or use _____	51
48.	Information on issues, redemption and repayment of debt and capital securities _____	51
49.	Information on dividends paid or declared _____	51
50.	Material litigation and disputes _____	51
51.	Information on related entities _____	53
52.	Remuneration of Management Board and Supervisory Board of Parent company _____	54



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
		Unaudited	Unaudited, Modified*
<b>Continued operations</b>			
Sales revenue	15	579 076	434 865
Cost of goods sold		(529 154)	(401 619)
Gross profit on sales		49 922	33 246
Cost of sales, marketing and distribution		(3 210)	(3 411)
General and administrative costs		(25 936)	(25 727)
Other operating revenues	16	836	11 210
Other operating costs		(1 292)	(2 080)
Share of profit of entities consolidated using equity method	42	293	112
Operating profit		20 613	13 350
Financial revenues		1 135	2 062
Financial costs	17	(9 749)	(11 736)
Gross profit		12 000	3 676
Income tax	18	(2 867)	(3 489)
Net profit from continued operation		9 133	187
<b>Discontinued operations</b>			
Net profit (loss) from discontinued operations		-	-
Net profit for the period		9 133	187
<b>Attributable to:</b>			
Shareholders of parent entity		9 024	245
Non-controlling interests		109	(58)
<b>Profit per share attributable to shareholders in the period (PLN per share)</b>			
- basic		0,02	0,00
- diluted		0,02	0,00

\*) Details are presented in Note 10.3 to these condensed consolidated financial statements.

## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
		Unaudited	Unaudited, Modified*
<b>Net profit for the period</b>		<b>9 133</b>	<b>187</b>
<b>Other comprehensive income:</b>			
<b>Other comprehensive income that will not be reclassified into profit or loss under certain conditions:</b>		<b>33</b>	<b>5 600</b>
Profit from revaluation referred into revaluation reserve		-	5 762
Actuarial gains/(losses)		33	(162)
<b>Other comprehensive income that will be reclassified to profit or loss:</b>		<b>(1 815)</b>	<b>12 363</b>
Foreign exchange differences on translation of foreign operations		747	13 025
Cash flow hedging instruments	34	(2 562)	(662)
<b>Total other comprehensive income</b>		<b>(1 782)</b>	<b>17 963</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>7 351</b>	<b>18 150</b>
<b>Attributable to:</b>			
Shareholders of Parent entity		7 923	18 182
Non-controlling interests		(572)	(32)

\*) Details are presented in Note 10.3 to these condensed consolidated financial statements.

## CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.06.2014	31.12.2013	1.01.2013
		Unaudited	Modified*	Modified*
<b>Non-current assets</b>		<b>723 910</b>	<b>721 155</b>	<b>698 580</b>
Tangible non-current assets	19	181 497	180 115	185 711
Intangible assets		60 083	60 161	59 875
Goodwill from consolidation	22	375 755	375 217	372 918
Investment properties	23	30 642	30 324	17 800
Investments in entities accounted using equity method	42	8 937	8 644	6 775
Investments in other units		24	24	24
Other financial assets		25 636	25 665	26 742
Deferred tax assets	18	39 225	39 114	25 239
Prepayments		2 111	1 891	3 496
<b>Current assets</b>		<b>902 265</b>	<b>915 648</b>	<b>622 128</b>
Inventory	24	113 573	103 155	92 997
Trade and other receivables	25	586 016	630 431	240 686
Income tax receivables		1 313	-	-
Other financial assets		27 906	35 095	26 422
Cash and cash equivalents	26	77 726	83 599	121 143
Prepayments		9 534	8 487	6 749
Construction contracts	27	86 197	54 881	134 131
<b>Total assets</b>		<b>1 626 175</b>	<b>1 636 803</b>	<b>1 320 708</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to shareholders of parent entity</b>		<b>638 860</b>	<b>630 551</b>	<b>490 202</b>
Share capital	28	41 120	41 120	23 211
Basic conditional capital		-	-	18 545
Due payments for basic capital (negative value)		-	-	(18 545)
Share premium		310 102	310 102	231 813
Revaluation reserve		6 801	6 811	1 066
Other capital reserves		262 719	226 686	240 706
Retained earnings		9 024	37 483	(11 928)
Foreign exchange differences on translation of foreign operations		9 094	8 349	5 334
<b>Non-controlling interests</b>	<b>29</b>	<b>1 846</b>	<b>2 407</b>	<b>1 792</b>
<b>Total equity</b>		<b>640 706</b>	<b>632 958</b>	<b>491 994</b>
<b>Long-term liabilities</b>		<b>189 647</b>	<b>113 664</b>	<b>153 969</b>
Interest-bearing bank loans and borrowings	30	89 243	19 523	97 911
Bonds	32	50 048	49 926	12 913
Provisions	35	6 132	4 226	3 718
Liabilities due to employee benefits		10 598	10 318	9 552
Provision for deferred tax	18	30 195	29 101	29 875
Derivative financial instruments	34	3 431	570	-
<b>Short-term liabilities</b>		<b>795 822</b>	<b>890 181</b>	<b>674 745</b>
Interest-bearing bank loans and borrowings	30	129 864	167 125	37 131
Bonds	32	-	-	147 761
Trade and other liabilities	37	491 436	504 169	330 551
Provisions	35	7 684	18 923	9 711
Liabilities due to employee benefits		11 661	9 352	8 644
Income tax liabilities		-	4 527	2 636
Derivative financial instruments	34	126	-	59
Other financial liabilities	33	52 075	34 718	-
Accruals		240	68	95
Construction contracts	27	101 482	150 467	133 660
Advances received towards flats		1 254	832	4 497
<b>Total equity and liabilities</b>		<b>1 626 175</b>	<b>1 636 803</b>	<b>1 320 708</b>

\*) Details are presented in Note 10.3 to these condensed consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

	Note	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
		Unaudited	Unaudited, Modified*
<b>Cash flows from operating activities</b>			
Gross profit from continued operations		12 000	3 676
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		(46 643)	(186 872)
Depreciation		11 796	11 314
FX differences		119	1 376
Net interest and dividends		5 985	11 629
Profit on investment activities		(255)	(8 501)
Share of profits of entities consolidated using equity method		(293)	(112)
Change in receivables		20 663	(182 653)
Change in inventory		(15 907)	(28 644)
Change in liabilities, excluding loans and borrowings		30 171	13 562
Change in prepayments and accruals		(4 142)	(4 511)
Change in provisions		(4 300)	(1 620)
Change in construction contracts		(82 551)	3 918
Change in financial derivatives		2 997	39
Income tax paid		(6 899)	(3 461)
Other		(4 094)	(1 554)
Foreign exchange differences on translation of foreign operations		67	2 346
<b>Net cash flows from operating activities</b>		<b>(34 643)</b>	<b>(183 196)</b>
<b>Cash flows from investment activities</b>			
Sale (purchase) of intangible assets and tangible non-current assets		(7 042)	(2 467)
- acquisition		(9 101)	(4 945)
- sale		2 059	2 478
Financial assets		8 863	2 235
- sold or repaid		18 516	17 550
- granted or acquired		(9 653)	(15 315)
Loans		-	2 000
- repaid		-	2 000
Interest received		350	592
<b>Net cash flows from investment activities</b>		<b>2 171</b>	<b>2 360</b>
<b>Cash flows from financial activities</b>			
Net proceeds from issue of shares		-	(13 800)
Proceeds on account of taken borrowings and loans		99 323	185 846
Repayment of borrowings and loans		(65 949)	(50 112)
Interest paid		(6 050)	(6 576)
Payment of liabilities under financial lease agreements		(3 098)	(3 873)
Other		(2)	(23)
<b>Net cash flows from financial activities</b>		<b>24 224</b>	<b>111 462</b>
<b>Total net cash flows</b>		<b>(8 248)</b>	<b>(69 374)</b>
Net FX differences		-	-
<b>Cash at start of period</b>		<b>83 599</b>	<b>121 143</b>
<b>Cash at end of period</b>	<b>43</b>	<b>75 351</b>	<b>51 769</b>
- with limited access	43	984	978

\*) Details are presented in Note 10.3 to these condensed consolidated financial statements.

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Equity attributable to shareholders of Parent entity											Non-controlling interests	Total equity
	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
						Hedging instruments	Actuarial gains/(losses)	Results from previous years					
<b>Modified*</b>													
<b>As at 1.01.2014</b>	<b>41 120</b>	-	-	<b>310 102</b>	<b>8 158</b>	<b>(270)</b>	<b>(2 665)</b>	<b>229 922</b>	<b>8 349</b>	<b>37 706</b>	<b>632 422</b>	<b>2 407</b>	<b>634 829</b>
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 347)	-	-	(301)	-	(223)	(1 871)	-	(1 871)
<b>As at 1.01.2014 after adjustments</b>	<b>41 120</b>	-	-	<b>310 102</b>	<b>6 811</b>	<b>(270)</b>	<b>(2 665)</b>	<b>229 621</b>	<b>8 349</b>	<b>37 483</b>	<b>630 551</b>	<b>2 407</b>	<b>632 958</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	9 024	9 024	109	9 133
Other comprehensive income	-	-	-	-	-	(1 888)	42	-	745	-	(1 101)	(681)	(1 782)
Losses cover	-	-	-	-	-	-	-	37 483	-	(37 483)	-	-	-
Other changes	-	-	-	-	(10)	-	-	396	-	-	386	11	397
<b>As at 30.06.2014</b>	<b>41 120</b>	-	-	<b>310 102</b>	<b>6 801</b>	<b>(2 158)</b>	<b>(2 623)</b>	<b>267 500</b>	<b>9 094</b>	<b>9 024</b>	<b>638 860</b>	<b>1 846</b>	<b>640 706</b>
<b>Modified*</b>													
<b>As at 1.01.2013</b>	<b>23 211</b>	<b>18 545</b>	<b>(18 545)</b>	<b>231 813</b>	<b>2 396</b>	-	<b>(1 347)</b>	<b>242 372</b>	<b>5 334</b>	<b>(11 928)</b>	<b>491 851</b>	<b>1 792</b>	<b>493 643</b>
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 330)	-	-	(319)	-	-	(1 649)	-	(1 649)
<b>As at 1.01.2013 after adjustments</b>	<b>23 211</b>	<b>18 545</b>	<b>(18 545)</b>	<b>231 813</b>	<b>1 066</b>	-	<b>(1 347)</b>	<b>242 053</b>	<b>5 334</b>	<b>(11 928)</b>	<b>490 202</b>	<b>1 792</b>	<b>491 994</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	245	245	(58)	187
Other comprehensive income	-	-	-	-	5 762	(662)	(162)	-	12 999	-	17 937	26	17 963
Distribution of profit	-	-	-	-	-	-	-	(11 928)	-	11 928	-	-	-
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	-	-	-	96 198	-	96 198
Other changes	-	-	-	-	-	-	-	57	-	-	57	-	57
<b>As at 30.06.2013</b>	<b>41 120</b>	-	-	<b>310 102</b>	<b>6 828</b>	<b>(662)</b>	<b>(1 509)</b>	<b>230 182</b>	<b>18 333</b>	<b>245</b>	<b>604 639</b>	<b>1 760</b>	<b>606 399</b>

\*) Details are presented in Note 10.3 to these condensed consolidated financial statements.

Equity attributable to shareholders of Parent entity													
	Share capital	Basic conditional capital	Due payment s for basic capital (negative value)	Share premium	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					
Przekształcone*													
As at 1.01.2014	23 211	18 545	(18 545)	231 813	2 396	-	(1 347)	242 372	5 334	(11 928)	491 851	1 792	493 643
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 330)	-	-	(319)	-	-	(1 649)	-	(1 649)
As at 1.01.2014 after adjustments	23 211	18 545	(18 545)	231 813	1 066	-	(1 347)	242 053	5 334	(11 928)	490 202	1 792	491 994
Net profit for the period	-	-	-	-	-	-	-	-	-	37 483	37 483	210	37 693
Other comprehensive income	-	-	-	-	5 762	(270)	(1 318)	-	3 015	-	7 189	(92)	7 097
Losses cover	-	-	-	-	-	-	-	(11 928)	-	11 928	-	-	-
Share issue	17 909	(18 545)	18 545	78 289	-	-	-	-	-	-	96 198	-	96 198
Other changes	-	-	-	-	(17)	-	-	(504)	-	-	(521)	497	(24)
As at 31.12.2014	41 120	(0)	0	310 102	6 811	(270)	(2 665)	229 621	8 349	37 483	630 551	2 407	632 958

\*) Details are presented in Note 10.3 to these condensed consolidated financial statements.

## CONDENSED NOTES AND EXPLANATIONS

### 1. General information

This condensed consolidated financial statements of the Group cover the 6-month period ended on June 30, 2014 and comparable data for the 6-month period ended on June 30, 2013 and as at December 31, 2013.

Trakcja Capital Group (the "Group"; "GK Trakcja") consists of the Parent company Trakcja PRKił S.A. ("Trakcja PRKił", the "Parent company", the "Company"), its subsidiaries and a company classified according to IFRS 11 as joint venture (see note 2).

Trakcja PRKił S.A. in its present form was established on November 30, 2004 as a result of acquisition of the holding company Trakcja Polska S.A. by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. (Railway Electrification Works Company, "PKRE S.A."). The Company's business name was then Trakcja Polska S.A. and was changed by Resolution no. 2 adopted by an Extraordinary Shareholder Meeting on November 22, 2007. The change was confirmed by the entry in the National Court Register made on December 10, 2007. The Company's previous business name was Trakcja Polska – PKRE S.A. The Parent company operates on the basis of the articles of association prepared in the form of a notary deed on January 26, 1995 (Rep. A No. 863/95), as amended.

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

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

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

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

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

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

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

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

- work on foundations and networks;
- installation of overhead contact substations and section cabins;
- installation of high and low voltage aerial and cable lines;
- installation of power supply and local control cables;
- production of high, medium and low voltage switching stations, overhead contact system accessories and local control devices;

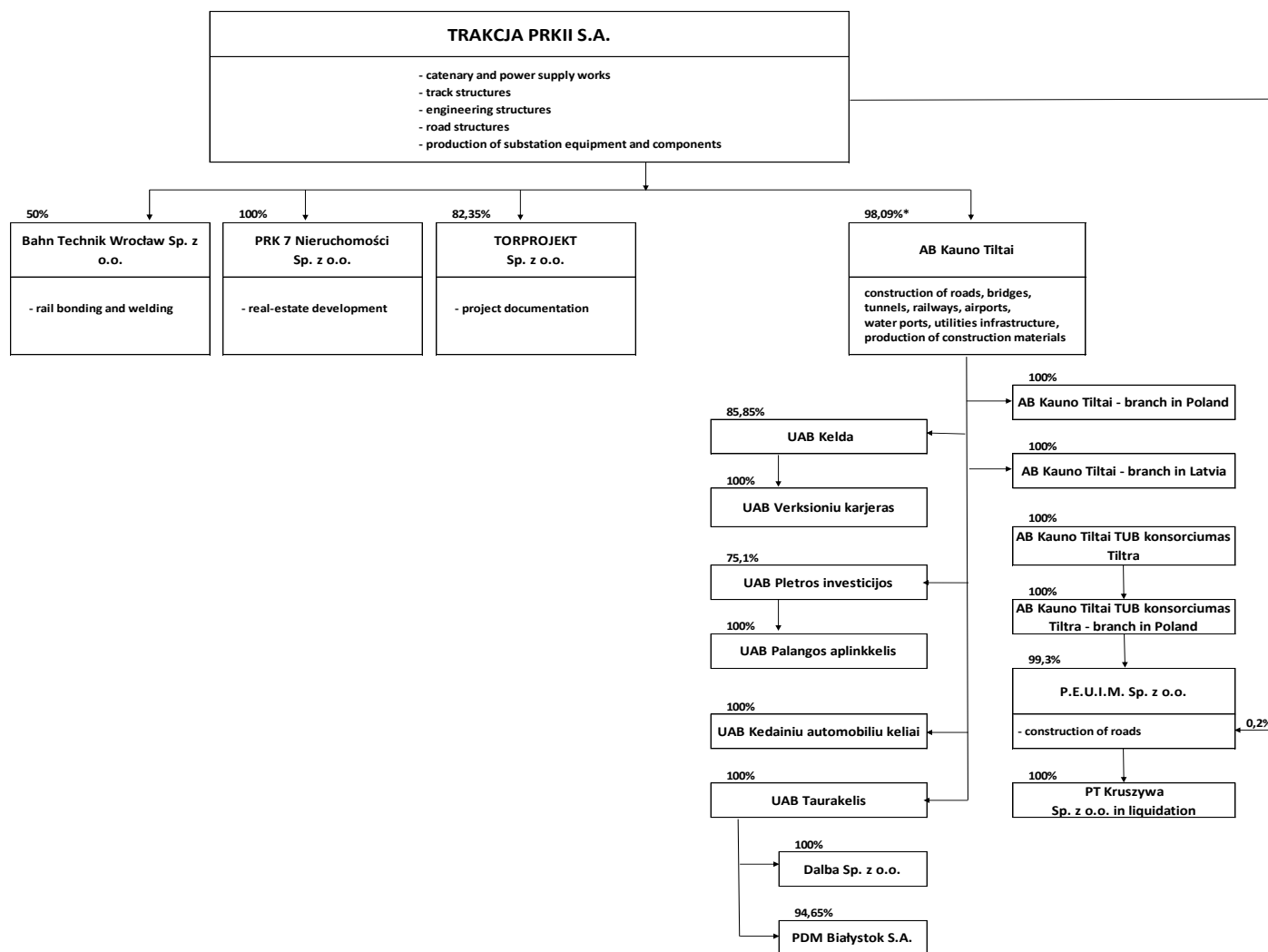
- specialized equipment services (excavators, rail and car cranes, drill setters, piling rigs);
- construction of bridges, viaducts, overpasses, culverts, tunnels, subways, roads and associated infrastructure of rail and road.

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

As of June 30, 2014, the Group consists of Parent company Trakcja PRKiI S.A., subsidiaries and Bahn Technik Wrocław Sp. z o.o. classified as joint venture according to IFRS 11.

The Group's structure is presented below:





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

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

Bahn Technik Wrocław Sp. z o.o. ("Bahn Technik") in accordance with IFRS 11 was classified as a joint venture and therefore is consolidated using the equity method.

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

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

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

The AB Kauno Tiltai Capital Group comprises the following entities:

- UAB Kelda – a subsidiary, seated in Vievis; the company's subsidiary is UAB Verkšioniu karjeras;
- UAB Taurakelis – a subsidiary, UAB Taurakelis with its registered office in Tauragė is the parent company in the UAB Taurakelis Group and does not prepare consolidated financial statements, the group is subject to consolidation at the level of Trakcja Group. Moreover, the UAB Taurakelis Group also includes the following entities:
  - Dalba Sp. z o.o. – a subsidiary, seated in Białystok;
  - PDM Białystok S.A. – a subsidiary, seated in Białystok.
- UAB Kedainiu Automobiliu Keliai – a subsidiary, seated in Kėdainiai;
- UAB Verkšioniu karjeras - a subsidiary, seated in Bagoteliu K;
- TUB Konsorciumas Tiltra - a subsidiary, seated in Kownie;
- UAB Pletros investicijos – a subsidiary, seated in Wilno;
- UAB Palangos aplinkkelis - a subsidiary, seated in Wilno established with the aim of conducting the public-private partnership agreement.
- AB Kauno Tiltai Polish branch – a subsidiary, seated in Wilno;
- AB Kauno Tiltai Latvia branch – a subsidiary, seated in Rezekne;
- PEUIM Sp. z o.o. („PEUIM”) – a subsidiary, PEUIM seated in Białystok is a parent company in relations to the company PT Kruszywa Sp. z o.o. in liquidation, PEUIM does not prepare consolidated financial statements.

PT Kruszywa Sp. z o.o. in liquidation at December 31, 2013 and June 30, 2014 was not consolidated by the Group.

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

### 3. Changes in Capital Group

In the period from January 1, 2014 to June 30, 2014 there was a change in the Group's structure. With effect from March 6, 2014 the company Brux Sp. z o.o. in liquidation ("Brux") has been deleted from the National Court Register. As at December 31, 2013 and June 30, 2014 the company Brux was not consolidated by the Group.

After the balance sheet date and before the date of report publication, on July 23, 2014, the new subsidiary of AB Kauno Tiltai was created - Sverige AB Kauno Tiltai. The company is based in Sweden. The reporting currency is the Swedish Krona.

After the balance sheet date and before the date of report publication, on August 8, 2014, the new subsidiary of AB Kauno Tiltai was created - UAB "Transporto infrastruktūra". The company is based in Lithuania. The reporting currency is the Lithuanian Litas.

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

The Company's Management Board on June 30, 2014 was composed of the following persons:

- |   |                      |   |                                |
|---|----------------------|---|--------------------------------|
| ▪ | Roman Przybył        | - | President of the Board;        |
| ▪ | Marita Szustak       | - | Vice – president of the Board; |
| ▪ | Nerijus Eidukevičius | - | Vice – president of the Board; |
| ▪ | Stefan Dziedziul     | - | Vice – president of the Board; |
| ▪ | Jarosław Tomaszewski | - | Vice – president of the Board. |

Pursuant to the resolutions of the Supervisory Board No. 15-19 of May 15, 2014 the above mentioned persons were appointed to the new, common, three-year term of office. In the period from 1 January 2014 to 30 June 2014 there was a change in the composition of the Management Board of the Parent. On June 12, 2014, in connection with a three-year term of office completion Mr. Tadeusz Kałdonek ceased to be Vice President.

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

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

The Company's Supervisory Board on June 30, 2014 was composed of the following persons:

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

Within the period from January 1 to June 30, 2013, there were no changes in composition in the Supervisory Board of the Parent company.

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

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

These consolidated financial statements were approved for publication by the Management Board on August 29, 2014.

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

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

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

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

## **8. Statement of compliance**

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

The condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements and they should be read jointly with the Group's consolidated financial statements for the year ended on December 31, 2013.

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

The measurement currency of the Parent Company and most of the companies and the reporting currency of these interim condensed consolidated financial statements is the Polish zloty. The measurement currency of companies established in Lithuania is Lithuanian Litas (LTL).

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

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

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

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

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

### **9.1. Professional judgment**

#### *Fair value of financial instruments*

Fair values of the financial instruments for which active market does not exist, are estimated by means of appropriate estimation methods. When selecting the methods and assumptions, the Group follows the professional judgment. Applied assumptions are presented in note No. 48 Additional information and explanations to the Consolidated financial statements for the year ended December 31, 2013.

#### *Classification of leasing agreements*

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

#### *Investment properties*

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

#### *Goodwill allocation to cash generating units*

Pursuant to IAS 36, goodwill is allocated to cash generating units. The Group performs an assessment connected with allocation of goodwill to relevant units that generate cash flow. Professional judgment concerns in particular reallocation of the goodwill recognized from the acquisition of AB Kauno Tiltai group, initially allocated to the road segment. Pursuant to the decision of the Group, the aforementioned goodwill, in consequence of Group restructuring and a change of cash generating units was reallocated on the basis of relative values method, in the amount of PLN 99 million, to the civil building segment.

#### *Recognition and loss of control over related entities*

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

#### *Classification of joint arrangements*

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

## **9.2. Uncertainty of estimates**

#### *Valuation of liabilities due to employee benefits*

Liabilities due to employee benefits concerning retirement severance pays and jubilee awards were estimated based on actuarial methods. Value of the liability depends on numerous factors, which are used as assumptions in the actuarial method. One of the basic assumptions for determining the amount of the liability is the discount rate and the average expected increase of salaries. Any change in these assumptions affects the value of the liability.

#### *Provisions for correction works*

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

#### *Provisions for contractual penalties*

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

#### *Deferred tax assets*

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

#### *Revenues recognition*

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

#### *Depreciation rates*

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

#### *Impairment of financial assets*

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

#### *Investment properties*

Investment properties are valued at fair value. Valuations of investment properties are prepared as at December 31 by independent experts with qualifications to perform such valuations. The selection of the approach and the method is driven by principles defined in the Act on real properties management and in the Regulation of the Council of Ministers on detailed rules of valuation of real properties and on the rules and mode of preparing appraisal reports. During the year, as at March 31, June 30 and September 30, the Group performs analysis on the possibility of changes in fair value. Valuation of the fair value of investment properties was subject to such valuation techniques that maximize the use of observable data.

#### *Impairment tests*

Pursuant to IAS 36, at the balance sheet date the Management Board of the Parent Company performs annual impairment tests for cash generating units, to which the goodwill was assigned. At each balance sheet date the Management Board analyzes the indications for the possibility of cash generating units impairment. As at June 30, 2014, the Group made the above analysis, based on which it was found that there are factors indicating potential impairment of cash-generating units. Therefore the Group conducted impairment test on that day. Details are described in note 22.

#### *Impairment of inventory*

The Management Board assesses whether there are prerequisites indicating a possibility of an impairment of inventory. Stating an impairment requires estimation of the net values possible to obtain for inventory, which lost its utility attributes or usability.

#### *Write-down of trade receivables and other receivables*

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

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

These condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, which are applicable to annual periods beginning from January 1, 2014 as adopted by the European Union.

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

The accounting principles (policy) applied to draw up these condensed consolidated financial statements for the I half of the year 2014 are consistent with those used to draw up the consolidated financial statements for the financial year ended December 31, 2013, except for the changes described below.

### 10.1. Selected accounting principles

A detailed description of the accounting principles adopted by the Group is presented in its consolidated financial statements for the financial year ended December 31, 2013, published on March 21, 2014.

#### **Conversion of items denominated in foreign currency**

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

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

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

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

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

<b>Exchange rate in force at the last day of the given period</b>	<b>30.06.2014</b>
PLN/USD	3,0473
PLN/EUR	4,1609
PLN/LTL	1,2051
<b>Average exchange rate, calculated as the arithmetic mean of the average exchange rates prevailing during the months in the period</b>	
	<b>30.06.2014</b>
PLN/LTL	1,2095

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

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

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

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

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

#### **Consolidation rules**

The condensed consolidated financial statements include the condensed financial statements of Trakcja PRKiL S.A. and condensed financial statements of the subsidiaries prepared as at June 30, 2014.

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

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

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

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

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

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

The following new or changed standards and interpretations issued by the International Accountancy Standard Board and the International Financial Reporting Interpretations Committee are in force since January 1, 2014:

- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*;
- IFRS 12 *Disclosure of Interest in Other Entities*;
- IAS 27 *Separate Financial Statements*;
- IAS 28 *Investments in associates and joint ventures*;
- Changes in IAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- *Guidelines related to the interim provisions* (Amendments to IFRS 10, IFRS 11, and IFRS 12);
- *Investment Units* (Amendments to IFRS 10, IFRS 12 and IFRS 27);
- Changes to IAS 36 *Recoverable Amounts Disclosures for Non-Financial Assets*;



- *Changes to IAS 39 Novation of derivatives and continuation of hedge accounting.*

Their application did not influence the business results and financial standing of the Company and resulted only in changes of the applied accountancy principles or possible extension of the scope of necessary disclosures or amendments to the used terminology.

Main consequences of application of new regulations:

- *IFRS 10 Consolidated Financial Statements*

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

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

- *IFRS 11 Joint Arrangements*

The new standard was published on May 12, 2011 and will replace interpretation SKI 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, and IAS 31 Interests in Joint Ventures. The standard puts emphasis on rights and obligations resulting from joint arrangements, regardless of their legal form, and eliminates inconsistency in reporting through specifying the method for settling contributions in jointly controlled entities.

Application of the new standard resulted in the following change:

**The change in the consolidation method of Bahn Technik Wrocław Sp. with o.o. ("BTW") from the proportional method to the equity method of consolidation.**

The Group exercises joint control over BTW based on 50% share in the equity of the company and requiring unanimous consent of all the parties with respect to decisions relating to the relevant activities of the company. The investment has been classified as a joint venture in accordance with IFRS 11 and, therefore, the Group applied equity method of consolidation. Prior to the adoption of IFRS 11, the Group's interest in the BTW was consolidated proportionally.

As a result of the change in consolidation method the values earlier included line by line in the statement of financial position and statement of comprehensive income have been currently presented under the headings of: investments in entities accounted using equity method and share of profit of entities consolidated using equity method. Key figures as at December 31, 2013 and January 1, 2013 are presented in Note 42. Application of this new standard had no impact on the Group's consolidated net income and the value of equity presented in the consolidated balance sheet.

The Group recognized an investment in the joint venture at the beginning of the earliest period presented (January 1, 2013) as the total carrying amounts of assets and liabilities previously proportionately consolidated by the Group. The value is assumed to be the cost of the Group's investment in the joint venture in connection with the equity method. Under IFRS 11 Group conducted an analysis of indications of possible impairment in relation to the opening balance of the investment in the joint venture. There was no occurrence of such indications that is why the test for impairment of investments was not carried out.

The effect of change of BTW consolidation method on the consolidated balance sheet as at December 31, 2013 and January 1, 2013 and consolidated profit and loss for the comparative period, i.e. from January 1, 2013 to June 30, 2013 is presented in the table summarizing the impact of all changes made by the Group during the period in note no. 10.3 of this condensed consolidated financial statements. The change has no impact on the Group's consolidated net result and the equity value presented in the consolidated balance sheet.

- *IFRS 12 Disclosure of Interest in Other Entities*

The new standard was published on May 12, 2011 and contains requirements related to disclosures on interest in other entities or investments.

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

- *IAS 27 Separate Financial Statements*

The new standard was published on May 12, 2011 and results mainly from moving certain regulations of the existing IAS 27 to the new IFRS 10 and IFRS 11. The standard includes requirements concerning recognition and disclosures, in separate financial statements, of investments in associated entities, subsidiaries, and joint ventures. The standard will replace the existing IAS 27 Consolidated and Separate Financial Statements.

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

- *IAS 28 Investments in associates and joint ventures*

The new standard was published on May 12, 2011 and relates to the settlement of investments in associates. It also specifies requirements concerning the application of the equity method in investments in associates and in jointly controlled entities. The standard will replace IAS 28 Investments in Associates

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

- *Changes in IAS 32 Offsetting Financial Assets and Financial Liabilities*

Changes in IAS 32 were published on 16 December 2011 and apply to annual reporting periods starting from July 1, 2014 or later. Changes are a reaction to the existing inconsistencies in applying the offsetting criteria set forth in IAS 32.

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

- *Guidelines related to the interim provisions* (Amendments to IFRS 10, IFRS 11, and IFRS 12)

The guidelines were published on June 28, 2012 and contain additional information on the application of IFRS 10, IFRS 11 and IFRS 12, including presentation of comparative data in case of the first-time adoption of the above-mentioned standards.

The application of the aforementioned changes does not influence the Group's financial statements.

- *Investment Units* (Amendments to IFRS 10, IFRS 12 and IFRS 27)

The guidelines were published on October 31, 2012 and include other principles regarding the application of IFRS 10 and IFRS 12 in case of investment trusts.

The application of the aforementioned changes does not influence the Group's financial statements.

- *Changes to IAS 36 Recoverable Amounts Disclosures for Non-Financial Assets*

Changes were published on May 29, 2013 and apply to annual periods starting from 01 January 2014 or later. Changes result in a modification of the scope of disclosures regarding impairment of the value of non-financial assets; amongst others, they require disclosing the recoverable value of the asset (cash-generating units) only in the periods, when the impairment or its reversal was recognized in regard to the given asset (or units). In addition, the amended standard indicates that a wider and more precise scope of disclosure will be required in case of determining the recoverable value as a fair value decreased by costs of sale, and in case of determining the fair value decreased by costs of sale using the technique for determining the current value (discounted cash flow) it will be necessary to provide information about the applied discounting rate (in case of recognizing the impairment or its reversal).

The changes also adjust the scope of disclosures concerning recoverable value, regardless of whether it was determined as a usable value or fair value decreased by costs of sale.

The application of the aforementioned changes does not influence the Group's financial statements.

- *Changes to IAS 39 Novation of derivatives and continuation of hedge accounting*

Changes were published on 27 June 2013 and apply to annual periods starting from January 1, 2014 or later. Changes allow continuous application of hedge accounting (on certain conditions), if a derivative, which is the hedging instrument, is renewed due to legal regulations, and the amendment results in a change of the clearing institution. Changes in IAS 39 are an effect of legal changes in many countries, which resulted in obligatory clearing of existing OTC derivatives and their renewal based on an agreement with the central clearing institution.

The application of the aforementioned changes does not influence the Group's financial statements.

### 10.3. Changes introduced by the Group

The Group made an adjustment to the financial statements in the I half of 2014.

#### **Change in the accounting policy concerning revenues and costs recognition related to consortium agreements**

In the current period, the Group changed the presentation of consortium agreements in which the Group acts as the leader of the consortium. So far, in such cases, the Group presented all revenues and costs incurred in the implementation of a consortium agreement as the Group's revenues and expenses reported in the income statement.

As a result of the analysis of the content of consortium agreements, the Group has decided not to recognize in the profit and loss the revenues and costs relating to consortium partners - in accordance with the wording of IFRS 11.

Change has no impact on the Group's net profit for the I half of 2013 and the I half of 2014. As a result of this change, the Group's revenues and costs in the I half of 2014 decreased by PLN 190,083 thousand while in the comparable period 2013 they decreased by the amount of PLN 116,772 thousand.

Management believes that it is impossible to eliminate receivables and liabilities from the balance sheet related to the consortium agreements due to the existing credit risk in relation to suppliers and customers. Receivables and liabilities in respect of these contracts involve different counterparties.

Offsetting financial assets and liabilities (which include trade receivables and trade payables) is regulated by IAS 32 par. 42:

*„A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:*

- (a) currently has a legally enforceable right to set off the recognised amounts; and*
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.”*

At the balance sheet date, June 30, 2014, the Group presented in the balance sheet the following open positions in regards to consortium members:

- Trade receivables in the amount of PLN 133,160 thousand;
- Trade payables in the amount of PLN 129,819 thousand.

#### **Change in accounting policy concerning the right of perpetual usufruct of land recognition**

The Group decided to change the accounting policy relating to the accounting for perpetual usufruct of land (PWUG).

Prior to the change in accounting policy, the Group recognized PWUG at fair value as fixed assets in correspondence with the revaluation reserve. The right of perpetual usufruct of land was not subject to depreciation.

According to the change in accounting policy, the Group is currently classifying the perpetual usufruct of land as follows depending on the method of acquisition of the rights:

- PWUG obtained free of charge on the basis of an administrative decision in the amount of PLN 1,567 thousand - are treated as operating leases and accounted for off-balance sheet.
- PWUG acquired on the basis of payment from third parties or the merger of the subsidiaries - are recognized in the item "Fixed assets" at acquisition cost less accumulated depreciation.

Depreciation is recognized in the profit and loss account in general and administrative costs.

Perpetual usufruct of land depreciation takes place over the period for which the permission has been granted. This period is 99 years.

Change has an impact on the Group's net profit for the I half of 2013, amounting to (negative) PLN 112 thousand and the Group's equity value presented in the balance sheet as at December 31, 2013 in the negative amount of PLN 1,871 thousand, and as at January 1, 2013 in the negative amount of PLN 1,649 thousand. The above

mentioned changes in the statement of financial position as at December 31, 2013 and as at January 1, 2013 are presented in the tables on the following pages.

#### Employee benefits costs' presentation change

The Group changed the presentation of costs of employee benefits, which have so far been presented in other operating activity. After change the Group presents these costs in cost of sales, cost of sales, marketing and distribution and general and administrative expenses. Management believes that such presentation will reflect more accurate picture of the financial result of the Group. In accordance with IAS comparable data were changed. This change had an impact on the Group's net profit for the comparable period in the amount of PLN 162 thousand, but had no impact on the Group's equity.

#### Adjustments related to the merger of Trakcja S.A. with PRKił S.A.

On December 19, 2013, the District Court for the Capital City Warsaw, XII Commercial Division of the National Court Register registered the merger of Trakcja S.A. with its seat in Warsaw (the "Acquiring Company") with PRKił S.A. seated in Wrocław ("PRKił S.A.", "Acquired Company").

The merger took place in accordance with art. 492 § 1. 1 CCC, i.e. by the transfer of all assets of the Acquired Company to the Acquirer - in accordance with Resolution No. 3 of the Extraordinary General Meeting of 27 November 2013 on the merger Trakcja S.A. with the PRKił S.A. Due to the fact that the Acquiring Company holds 100 % of the shares of the Acquired Company, the merger took place under the simplified procedure (pursuant to art. 516 § 6 of the CCC), i.e. without increasing the share capital or any exchange of shares.

In connection with the settlement of the merger of Trakcja S.A. with PRKił S.A. the comparative data were restated as follows:

- consolidated profit and loss account of the Group Trakcja for the period from January 1, 2013 to June 30, 2013: the adjustments for common margins on contracts was applied (negative impact on gross profit of PLN 297 thousand, net profit in the amount of: 241 thousand);

The impact of the merger on the individual and consolidated balance sheet as at December 31, 2013 and January 1, 2013 is presented in the Additional information and explanations to the consolidated annual financial statements for the year 2013 in note 10.

#### Change in presentation of share in profit entities consolidated using the equity method

Group changed the presentation of share of profit of entities consolidated using the equity method presented so far in the consolidated income statement below the profit from operating activity. Currently, the Group presents the share of profit of entities consolidated using the equity method in the operating part of the consolidated profit and loss account. Management believes that the presentation of such groups will reflect more accurate picture of the financial result of the Group. The amendment has no impact on the consolidated net result of the Group and the value of equity presented in the consolidated balance sheet.

The following is a summary of the cumulative effect of the changes described above for the consolidated balance sheet of the Trakcja Group as at January 1, 2013 and December 31, 2013.

	31.12.2013 Published data	Change of BTW consolidation method	Off the balance sheet recognition of perpetual usefruct of land	Perpetual usefruct of land depreciation	31.12.2013 Modified data
Non-current assets	719 824	3 576	(1 567)	(678)	721 155
Current assets	923 314	(7 666)	-	-	915 648
Total equity	634 829	-	(1 269)	(602)	632 958
Long-term liabilities	114 294	(256)	(298)	(76)	113 664
Short-term liabilities	894 015	(3 834)	-	-	890 181

	<b>01.01.2013 Published data</b>	<b>Change of BTW consolidation method</b>	<b>Off the balance sheet recognition of perpetual usefruct of land</b>	<b>Perpetual usefruct of land depreciation</b>	<b>01.01.2013 Modified data</b>
Non-current assets	699 000	1 591	(1 567)	(444)	698 580
Current assets	628 202	(6 074)	-	-	622 128
Total equity	493 643	-	(1 269)	(380)	491 994
Long-term liabilities	154 515	(184)	(298)	(64)	153 969
Short-term liabilities	679 044	(4 299)	-	-	674 745

The following is a summary of the cumulative effect of the changes described above for the consolidated profit and loss account of the Trakcja Group for the I half of 2013.

CONSOLIDATED PROFIT AND LOSS ACCOUNT	1.01.2013 - 30.06.2013 Published data	Change of BTW consolidation method	Adjustment due to the merger of Trakcja S.A. with PRKił S.A.	Employee benefits costs presentation change	Perpetual usefruct of land depreciation	1.01.2013 - 30.06.2013 Modified data
	<i>Unaudited</i>					<i>Unaudited, Modified</i>
Sales revenues	555 848	(3 914)	(297)	-	-	551 637
Cost of goods sold	(520 996)	3 342	-	(737)	-	(518 391)
<b>Gross profit (loss) on sales</b>	<b>34 852</b>	<b>(572)</b>	<b>(297)</b>	<b>(737)</b>	-	<b>33 246</b>
Cost of sales, marketing and distribution	(3 107)	31	-	(335)	-	(3 411)
General and administrative costs	(23 621)	368	-	(2 357)	(117)	(25 727)
Net result from other operating activity	5 011	(33)	-	4 152	-	9 130
Share of profit of entities consolidated using equity method	-	112	-	-	-	112
<b>Operating profit (loss)</b>	<b>13 135</b>	<b>(94)</b>	<b>(297)</b>	<b>723</b>	<b>(117)</b>	<b>13 350</b>
Net result from other financial activity	(9 261)	110	-	(523)	-	(9 674)
<b>Gross profit (loss)</b>	<b>3 874</b>	<b>16</b>	<b>(297)</b>	<b>200</b>	<b>(117)</b>	<b>3 676</b>
Income tax	(3 497)	(16)	57	(38)	5	(3 489)
<b>Net profit</b>	<b>377</b>	-	<b>(240)</b>	<b>162</b>	<b>(112)</b>	<b>187</b>
CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME	1.01.2013 - 30.06.2013 Published data	Change of BTW consolidation method	Adjustment due to the merger of Trakcja S.A. with PRKił S.A.	Employee benefits costs presentation change	Perpetual usefruct of land depreciation	1.01.2013 - 30.06.2013 Modified data
	<i>Unaudited</i>					<i>Unaudited, Modified</i>
Net profit (loss) for the period	377	-	(240)	162	(112)	187
Total other comprehensive income	18 125	-	-	(162)	-	17 963
<b>TOTAL INCOME FOR THE PERIOD</b>	<b>18 502</b>	-	<b>(240)</b>	-	<b>(112)</b>	<b>18 150</b>

## 11. New standards and interpretations

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

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

- *IFRS 9 Financial Instruments*

The new standard was published on November 12, 2009 and is the first step of the IASB to replace IAS 39 Financial Instruments: Recognition and Measurement. Following publication, the new standards was subject to further works and was partially modified. The new standard will come into force on January 1, 2015.

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

As at the date of preparing these financial statements, it was not possible to reliably estimate the influence of applying the new standard.

- *IFRS 15 Revenue from contracts with customers*

The new unified standard was published on May 28, 2014 and is effective for annual periods beginning on or after January 1, 2017 or later and permitted early adoption. Standard establishes a common framework for the recognition of revenue and includes rules, which will replace most of the specific guidance on revenue recognition according to existing IFRS, in particular, IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

At the date of preparation of these financial statements it is not possible to reliably estimate the impact of adopting the new standard. Group initiated a study of the effects of implementing the new standard.

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

On December 12, 2013, further changes to seven standards were published pursuant to a project of changes to the International Financial Reporting Standards published in May 2012. They apply mostly to annual periods starting on July 1, 2014 or later.

The Group will apply amended standards within the scope of introduced changes from January 1, 2015, unless a different effective date is foreseen.

The application of amended standards will not materially influence the Group's financial statements.

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

On December 12, 2013, further changes to four standards were published pursuant to a project of changes to the International Financial Reporting Standards published in November 2012. They apply mostly to annual periods starting on July 1, 2014 or later.

The Group will apply amended standards within the scope of introduced changes from January 1, 2015, unless a different effective date is foreseen.

The application of amended standards will not materially influence the Group's financial statements.

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

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

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

The application of amended standards will not materially influence the Group's financial statements.

- *IFRS 14 Regulatory Deferral Accounts*

The new standard was published on January 30, 2014 and applies to annual periods starting from January 1, 2016 or later. The new standard has temporary nature due to the pending works of the IASB on regulating the manner of clearing operations in price regulation conditions. Standard. The Standard introduces a principle of recognizing assets and liabilities arising in connection with transactions with regulated prices, if the given entity decides to shift to IFRS.

The Group will implement the new standard from January 1, 2016.

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

- IFRIC Interpretation 21 *Levies*

The new interpretation was published on May 20, 2013 and applies to annual periods starting from January 1, 2014 or later. The interpretation includes instructions concerning periods, in which liabilities related to payment of certain levies should be recognized.

The Group will apply the new interpretation as from the date defined in the regulation of the European Commission, which adopts the interpretation to be applied in the European Union.

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

- Amendments to IFRS 11 *Accounting for the acquisition of shares in joint operations*

Changes in IFRS 11 was issued on 6 May 2014 and are effective for annual periods beginning on or after January 1, 2016 or later. The aim is to present detailed guidelines explaining the accounting acquisition of shares in joint activities that are undertaking. Changes require to apply the principles identical to those used in a business combination.

The application of the new standard will have no impact on the financial statements of the Group.

- Amendments to IAS 16 and IAS 38 *Explanations in terms of the accepted methods of accounting for depreciation and amortization*

Amendments to IFRS 16 Property, plant and equipment and IAS 38 Intangible Assets were published on May 12, 2014 and are applicable for annual periods beginning on or after January 1, 2016 or later. The change provides additional clarification in relation to authorized for use depreciation methods. The aim of the changes is an indication that the method of calculating amortization of tangible assets and intangible assets based on revenues is not appropriate, however, in the case of intangible assets, this method can be used in certain circumstances.

The application of the new standard will have no impact on the financial statements of the Group.

- Amendments to IAS 16 and IAS 41 *Agriculture: Production Plants*

Amendments to IFRS 16 and 41 were published on June 30, 2014 and are effective for annual periods beginning on or after January 1, 2016 or later. This change indicates that the manufacturing plants should be recognized in the same way as tangible assets in IAS 16. Accordingly, the production plant shall be seen through the prism of IAS 16 instead of IAS 41. Agricultural products produced by the plant production continues to fall under the scope IAS 41.

The application of the new standard will have no impact on the financial statements of the Group.

At the date of preparation of these financial statements is not expected that a new interpretation will have the impact on the financial statements.

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

- IFRS 9 *Financial instruments* published on November 12, 2009 (as amended);
- Change to IAS 19 *Defined Benefit Plans – Employee Contributions* published on November 21, 2013;
- IFRS 14 *Regulatory Deferral Accounts* published on January 30, 2014;
- IFRS 15 *Revenue from contracts with customers* published on May 28, 2014,
- Changes in various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2010-2012) published on December 12, 2013;
- Changes in various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2011-2013) published on December 12, 2012;
- Amendments to IFRS 11 *Accounting for the acquisition of shares in joint actions* published on May 6, 2014,
- Amendments to IAS 16 and IAS 38 *Explanations in terms of the accepted methods of accounting for depreciation and amortization* published on May 12, 2014,
- Amendments to IAS 16 and IAS 41 *Agriculture: Production Plants* published on June 30, 2014.



## 12. Concise description of significant achievements or failures during the I half of the year 2014

During the I half of 2014 Trakcja Group achieved a profit of PLN 9,133 thousand. Striving for increased efficiency and effectiveness and optimization of project management internal procedures enabled the Group to achieve a gross profit margin of 8.6%. In the reporting period the Parent company continued implementation of a modern, integrated ERP system Microsoft Dynamics AX and central purchasing system. The aim of the implemented systems is to improve operational, finance and accounting processes and increase controls, and as a result improving operational efficiency and achieving cost optimization. Microsoft Dynamics AX allows for more effective conduct of Company's operations and performing analysis for management purposes.

The significant achievements of the Group during the six months ended June 30, 2014 include:

- generating sales revenue higher by 33% compared to the comparable period in 2013, which allowed the Group to develop a 50% higher gross profit on sales.
- signing of construction contracts with a total value of PLN 243 million.
- providing access to financing: as at June 30, 2014 the Group companies had limit overdrafts and revolving credit limit equaling to the total amount of PLN 191,896 thousand.
- ensuring the guarantee lines availability at the level of PLN 681 million (value at June 30, 2014).
- continuing the ERP system and the central purchasing system implementation process.

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

In the Management Board's opinion, during six months ended June 30, 2014, in addition to the factors described in Note 12 of this report there were no other significant events that may affect the assessment of the financial position of the Trakcja Group. Contracts conducted by the Group had the main influence on the results achieved in the I half of 2014.

## 14. Information on operational and geographical segments

Description of the segments is presented in the annual consolidated financial statements for the year 2013.

In the I half of 2014 and in the comparable period revenues from transactions with external single customer accounted for 10% or more of total revenue. The following table presents the total amount of revenue from each such customer segments and indicate that these revenues relate to:

The total amount of income obtained in I H 2014 from a single customer (thousand PLN)	Operation segment containing the revenues
394 981	civil building segment
81 982	road segment

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

## Operational segments

## For the period from 1.01.2014 to 30.06.2014

Unaudited

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civil building segment	Road segment	Other segments	Total			
<b>Revenues</b>							
Sales to external customers	491 136	277 874	149	769 159	-	-	769 159
Sales between segments	4	10	-	14	-	(14)	-
<b>Total segment revenues</b>	<b>491 140</b>	<b>277 884</b>	<b>149</b>	<b>769 174</b>	<b>-</b>	<b>(14)</b>	<b>769 159</b>
<b>Results</b>							
Depreciation	7 218	4 533	45	11 796	-	-	11 796
	293	-	-	293	-	-	293
Share of profits of entities consolidated using equity method							
Financial income - interests	352	393	41	786	-	-	786
Financial expenses - interests	5 679	758	3	6 439	-	-	6 439
<b>Gross profit</b>	<b>5 027</b>	<b>7 856</b>	<b>(850)</b>	<b>12 033</b>	<b>-</b>	<b>(33)</b>	<b>12 000</b>

## As at 30.06.2014

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civil building segment	Road segment	Other segments	Total			
Segment assets	665 928	597 177	47 781	1 310 886	-	(153 236)	1 157 650
Assets not allocated to segments							468 525
<b>Total assests</b>							<b>1 626 175</b>
Segment liabilities	463 645	413 405	19 024	896 074	-	(100 252)	795 822
Other disclosures:							
Capital expenditure	(5 677)	(3 485)	-	(9 162)	-	-	(9 162)
Impairment of non-financial assets	(531)	-	-	(531)	-	-	(531)
	8 937	-	-	8 937	-	-	8 937
Investments in entities consolidated using equity method							

**For the period from 1.01.2013 to 30.06.2013**

<i>Modified</i>	Continued operations				Discontinued operations	Exclusions	Total operations
	Civil building segment	Road segment	Other segments	Total			
<b>Revenues</b>							
Sales to external customers	365 163	172 098	14 376	551 637	-	-	551 637
Sales between segments	58	20	-	78	-	(78)	-
<b>Total segment revenues</b>	<b>365 221</b>	<b>172 118</b>	<b>14 376</b>	<b>551 715</b>	<b>-</b>	<b>(78)</b>	<b>551 637</b>
<b>Results</b>							
Depreciation	6 737	4 509	68	11 314	-	-	11 314
Share of profits of entities consolidated using equity method	112	-	-	112	-	-	112
Financial revenues - interests	1 255	777	88	2 120	-	(128)	1 992
Financial expenses - interests	7 015	1 061	-	8 075	-	(128)	7 947
<b>Gross profit</b>	<b>1 910</b>	<b>5 006</b>	<b>2 092</b>	<b>9 008</b>	<b>-</b>	<b>(5 332)</b>	<b>3 676</b>

**As at 31.12.2013**

<i>Modified</i>	Continued operations				Discontinued operations	Exclusions	Total operations
	Civil building segment	Road segment	Other segments	Total			
Segment assets	838 426	521 018	44 195	1 403 639	-	(234 682)	1 168 957
Assets not allocated to segments							467 846
<b>Total assests</b>							<b>1 636 803</b>
Segment liabilities	562 758	418 171	14 606	995 535	-	(105 354)	890 181
Other disclosures:							
Capital expenditure	(6 264)	(3 591)	(8)	(9 863)	-	34	(9 829)
Impairment of non-financial assets	(788)	-	-	(788)	-	-	(788)
Investments in entities consolidated using equity method	8 644	-	-	8 644	-	-	8 644

**Geographical segments**

Data for geographic segments have been presented below.

**For the period from 1.01.2014 to 30.06.2014**

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Foreign	Total			
<b>Revenues</b>						
Sales to external customers	412 384	166 693	579 076	-	-	579 076
Sales between segments	4	10	14	-	(14)	-
Sales domestic/ abroad	-	-	-	-	-	-
<b>Total segment revenues</b>	<b>412 387</b>	<b>166 703</b>	<b>579 091</b>	<b>-</b>	<b>(14)</b>	<b>579 076</b>

**As at 30.06.2014**

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Foreign	Total			
Operating assets	770 746	540 140	1 310 886	-	(153 236)	1 157 650
Operating liabilities	516 352	379 722	896 074	-	(100 252)	795 822

**For the period from 1.01.2013 to 30.06.2013**

*Modified*

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Foreign	Total			
<b>Revenues</b>						
Sales to external customers	289 792	145 073	434 865	-	-	434 865
Sales between segments	57	20	77	-	(77)	-
Sales domestic/ abroad	1	-	1	-	(1)	-
<b>Total segment revenues</b>	<b>289 850</b>	<b>145 093</b>	<b>434 943</b>	<b>-</b>	<b>(78)</b>	<b>434 865</b>

**As at 31.12.2013**

*Modified*

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Foreign	Total			
Operating assets	924 897	478 742	1 403 639	-	(234 682)	1 168 957
Operating liabilities	603 088	392 447	995 535	-	(105 354)	890 181

## 15. Sales revenue

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
<b>Sales revenue</b>		
Revenues from sale of construction services	567 988	410 455
Revenues from sale of goods and materials	1 653	1 145
Revenues from sale of other products and services	9 435	23 266
<b>Total</b>	<b>579 076</b>	<b>434 865</b>

## 16. Other operating income

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited Modified</i>
Unwinding of provisions, including:	-	31
- other provisions	-	31
Other operating income:	836	11 179
- valuation of investment properties	-	3 478
- received penalties and fines	184	129
- returned litigation costs	-	233
- redeemed liabilities	-	6 225
- profit on sale non-financial non-current assets	252	659
- insurance compensation received	71	-
- other	329	455
<b>Total</b>	<b>836</b>	<b>11 210</b>

## 17. Financial expenses

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited Modified</i>
Financial costs from interest, including:	6 439	7 947
- loan and borrowings interest	3 075	4 039
- interest on liability	100	189
- interest on bonds	1 722	2 669
- interest on leases	542	483
- other	1 000	567
Financial cost from FX differences	75	1 141
Financial commissions paid	1 593	1 487
Revaluation of bonds	122	152
Costs associated with the conversion of bonds into shares (non-monetary)	-	702
Bank and insurance warranty costs	-	84
Factoring costs	1 011	143
Commission on advance payment guarantees	127	-
Loss on derivatives	340	39
Other financial costs	43	41
<b>Total</b>	<b>9 749</b>	<b>11 736</b>

## 18. Income tax

	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
<b>Current income tax:</b>	<b>1 049</b>	<b>3 452</b>
- current income tax charge	192	3 490
- adjustments related to current income tax from previous years	857	(38)
<b>Deferred tax:</b>	<b>1 818</b>	<b>37</b>
- related to increase and decrease in temporary differences	1 818	37
<b>Total</b>	<b>2 867</b>	<b>3 489</b>

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

	Consolidated Balance Sheet as at		Consolidated statement of total comprehensive income for the period of 6 months ended 30.06.2014
	30.06.2014	31.12.2013	
	<i>Unaudited</i>	<i>Modified</i>	
Deferred tax assets	39 225	39 114	111
Deferred tax liabilities	30 195	29 101	(1 094)
<b>Change of deferred tax assets and liabilities</b>			<b>(983)</b>
Recognized:			
- in net profit			(1 818)
- in equity			827
- variances due to currency translation			8

## 19. Property, plant and equipment

	30.06.2014	31.12.2013	1.01.2013
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Fixed assets, including:	174 140	175 086	184 159
- land (including right of perpetual usufruct)	23 988	22 687	24 441
- buildings, premises, civil and water engineering structures	23 742	23 576	25 197
- technical equipment and machines	59 391	64 107	68 021
- vehicles	56 715	53 692	56 733
- other fixed assets	10 304	11 024	9 767
Fixed assets under construction	7 357	5 029	1 552
<b>Total</b>	<b>181 497</b>	<b>180 115</b>	<b>185 711</b>

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

In the period from January 1 to June 30, 2014, the Group acquired tangible non-current assets and intangible assets in the total amount of PLN 11,377 thousand (for the comparable period: PLN 5,064 thousand).

In the period from January 1 to June 30, 2014, the Group sold its tangible non-current assets and intangible assets in the total book value of PLN 2,057 thousand (for the comparable period: PLN 1,504 thousand).

## 21. Commitments to purchase of property, plant and equipment

At the end of the period ended June 30, 2014, as well as at the end of the period ended December 31, 2013, there were no significant commitments to purchase tangible fixed assets.

## 22. Consolidation goodwill

The Group shows at June 30, 2014 in the consolidated financial statements goodwill of a total value of PLN 429,267 thousand (31.12.2013: PLN 428,729 thousand), which was included in the following balance sheet items:

- goodwill from consolidation - PLN 375,755 thousand (31.12.2013: PLN 375,217 thousand);
- intangible assets - PLN 53,512 thousand (31.12.2013: PLN 53,512 thousand).

The goodwill presented in intangible assets with a value of PLN 53 512 thousand results from:

- the acquisition and the merger of PRK-7 S.A. - PLN 47,797 thousand (31.12.2013: PLN 47,797 thousand);
- the merger with Forbud S.A. in 2004 - PLN 3,664 thousand (31.12.2013: PLN 3,664 thousand);
- the acquisition and merger with PRKił S.A. - PLN 2,051 thousand (31.12.2013: PLN 2,051 thousand).

The goodwill recognized in the balance sheet as at June 30, 2014 in the amount of PLN 822 thousand consists of goodwill relating to the acquisition of the Torprojekt Sp. z o.o. and the amount of PLN 374,933 thousand consists of goodwill related to the acquisition of AB Kauno Tiltai Group.

The goodwill related to the acquisition of the AB Kauno Tiltai Group is allocated to two cash generating units (civil building segment and the road segment) by relative values.

Goodwill of AB Kauno Tiltai presented in this report differs from the amount presented in the consolidated financial statements for the year 2013 due to the impact of exchange rate differences as at June 30, 2014.

The goodwill allocated to the cash-generating unit - civil building segment in the amount of PLN 148 826 thousand consists of:

- goodwill recognized on the acquisition of Torprojekt Sp. z o.o. shares (PLN 822 thousand);
- goodwill recognized on the acquisition of PRK-7 SA presented in intangible assets (PLN 43,017 thousand);
- goodwill recognized on the merged with Forbud S.A. in 2004, presented in the intangible assets (PLN 3,664 thousand);
- goodwill recognized on the acquisition of PRKił S.A. presented in intangible assets (PLN 2,051 thousand);
- goodwill reallocated using the relative values methodology to companies PEUIM, Dalba, PDM Białystok (PLN 99,272 thousand).

The goodwill allocated to the cash-generating unit - road segment consists of the goodwill reallocated using the relative values methodology from the acquisition of the AB Kauno Tiltai in the amount of PLN 275,126 thousand.

Goodwill in the amount of PLN 4,780 thousand (part of the goodwill recognized on the acquisition of PRK-7 SA) has been allocated to the cash-generating unit - the other segment, which includes the company PRK 7 Nieruchomości.

In the I half of 2014 the Management Board of the Parent Company has verified the expected level of economic benefits derived from the assets of acquired companies within the AB Kauno Tiltai Group. The Board considers that the goodwill reallocation key chosen as at June 30, 2013 that reallocated the goodwill from AB Kauno Tiltai Group to two cash-generating units basing on relative values method does not fully reflect the actual level of economic benefits that have been brought by individual assets that were the basis for reallocation goodwill. As a result, the Group has changed the amount of goodwill reallocated from road segment to the civil building segment reallocated to the amount of PLN 99.2 million (instead of the original PLN 128.1 million).

In the opinion of the Parent Company's Management Board the allocation key change was a factor indicating a possible impairment of cash generating units so that the Group conducted as at June 30, 2014 impairment test of goodwill allocated to each cash-generating units: civil building segment and the road segment.

The recoverable amount of the cash generating unit is determined based on value in use calculated using the income approach, i.e. Discounted cash flow method.

The calculation of cash generating units' value in use are based on cash flow projections for the period of 4.5 years. Cash flows beyond the forecast period are estimated at a constant level. The rate of growth in the residual period is assumed at 2% and exceeds the long-term rate of inflation. The calculations assumed EBITDA margin at the level

between 4.8% and 5.5% for the civil building segment (companies operating on the Polish market) and at the level between 5.7% and 7.8% for the road segment (companies operating in the Lithuanian market). Discounting rate before tax used in the calculations for the civil building segment amounted to 10,7% (9,8% as at 31.12.2013), and 10.0 % for road segment (8,9% as at 31.12.2013). The Management Board estimated the budgeted margin on the basis of historical, updated contracts budgets and on their expectations of market development. The values above reflect the past experience of the Group and are consistent with external sources of information. The applied discounting rate is the rate before tax that reflects the specific risks to the individual segments not included in cash flow forecasts, calculated based on the CAPM model.

As a result of the impairment test, there was no impairment of goodwill allocated to the two above mentioned cash-generating units.

Sensitivity analysis indicates that significant factors affecting estimates of cash generating units are the profitability of the construction contracts, the discounting rate and the rate of growth in the residual period.

The following is the sensitivity analysis of the recoverable amount of cash-generating units to change of the indicators used in the impairment test.

#### Sensitivity analysis for the civil building segment

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA margin	+/- 1%	158 870	(158 870)
growth rate in residual period	+/- 0,5%	26 347	(23 495)
discount rate	+/- 1%	(59 274)	74 628

#### Sensitivity analysis for the road segment

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA margin	+/- 1%	75 470	(75 470)
growth rate in residual period	+/- 0,5%	22 432	(19 800)
discount rate	+/- 1%	(48 496)	62 374

The sensitivity analysis shows that there is a reasonable possibility of changing the following key assumptions by management, which would result in the situation where the recoverable amount of cash generating unit would equal to its carrying amount:

- Decrease in the growth rate in the residual period in the road segment by 1.3%;
- Increase in the discounting rate in the road segment by 0.9%.



## 23. Investment property

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
<b>As at start of period (by type groups) - net value:</b>	<b>30 324</b>	<b>17 800</b>	<b>15 896</b>
- land	22 576	13 881	11 116
- buildings, premises, civil and water engineering structures	7 748	3 919	4 780
<b>Increases:</b>	<b>318</b>	<b>11 345</b>	<b>2 765</b>
- land	318	8 695	2 765
- purchase	318	-	-
- revaluation	-	1 964	2 765
- movement from fixed assets	-	6 731	-
- buildings, premises, civil and water engineering structures	-	3 829	-
- revaluation	-	2 693	-
- movement from fixed assets	-	1 136	-
<b>Decreases</b>	<b>-</b>	<b>-</b>	<b>861</b>
- land	-	-	-
- buildings, premises, civil and water engineering structures	-	-	861
- revaluation	-	-	861
<b>As at end of period (by type groups) - net value:</b>	<b>30 642</b>	<b>30 324</b>	<b>17 800</b>
- land	22 894	22 576	13 881
- buildings, premises, civil and water engineering structures	7 748	7 748	3 919

Investment properties are measured by the Group at fair value. Group estimates the value of the investment properties as at December 31 on the basis of a valuation carried out on that date by an independent appraiser. As at subsequent balance sheet dates i.e. March 31, June 30 and September 30, the Company performs analysis on the possibility of changes in their fair value.

The most recent valuation by an appraiser value of investment properties was made on 31 December 2013. On June 30, the Company has not identified the existence of indications of significant change in the value of investment properties. Description of valuation techniques, unobservable inputs used in the valuation and descriptive presentation of the sensitivity of the fair value measurement to changes in unobservable inputs are described in Note 23 of the Consolidated Annual Financial Statements of Trakcja Group for the year 2013. In the I half of 2014 there has been no change in the technique of fair value measurement.

The Group classifies its investment properties at level 3 of fair value measurements hierarchy. In the I half of 2014 there were no transfers between levels 1, 2 and 3.

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

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<i>Unaudited</i>	<i>Modified</i>
<b>As at the beginning of the period (Level 3)</b>	<b>30 324</b>	<b>17 800</b>
Investment property purchase	318	-
Transfers from fixed assets	-	7 867
Gains/ (losses) recognized in profit and loss account	-	4 657
<b>As at the end of the period (Level 3)</b>	<b>30 642</b>	<b>30 324</b>

In the I half of 2013 in the consolidated profit and loss account the Group recognized revaluation gain in the amount of PLN 4,418 thousand presented in other operating income. In the I half of 2014 no gains nor losses were recognized in the consolidated profit and loss account due to changes in investment properties fair value measurement.

## 24. Inventory

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Materials	72 452	66 583	52 930
Semi-finished goods and products in progress	25 987	20 094	9 593
Finished goods	5 503	2 723	17 100
Merchandise	11 382	11 382	11 307
Inventory for resale	-	3 591	3 747
<b>Total, gross inventory</b>	<b>115 324</b>	<b>104 373</b>	<b>94 677</b>
<b>Inventory revaluation write-offs</b>	<b>(1 751)</b>	<b>(1 218)</b>	<b>(1 680)</b>
Materials	70 728	65 392	51 277
Semi-finished goods and products in progress	25 987	20 094	9 593
Finished goods	5 476	2 696	17 073
Merchandise	11 382	11 382	11 307
Inventory for resale	-	3 591	3 747
<b>Total, net inventory</b>	<b>113 573</b>	<b>103 155</b>	<b>92 997</b>

## 25. Trade receivables and other receivables

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
<b>Gross trade receivables, before discounting</b>	<b>498 872</b>	<b>558 531</b>	<b>183 988</b>
Discounting of receivables	-	-	-
<b>Total, gross trade receivables</b>	<b>498 872</b>	<b>558 531</b>	<b>183 988</b>
<b>including:</b>			
- receivables from related entities	156	23	21
Budgetary receivables	5 246	942	492
Receivables claimed in court	2 272	2 024	464
Other receivables from third parties	12 577	5 474	14 584
Amounts held	88 988	89 006	60 991
Advances paid	3 943	3 756	1 453
<b>Total, gross trade and other receivables</b>	<b>611 898</b>	<b>659 733</b>	<b>261 972</b>
Receivables revaluation write-offs	(25 882)	(29 302)	(21 286)
<b>Total</b>	<b>586 016</b>	<b>630 431</b>	<b>240 686</b>
	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
<b>Net trade receivables</b>			
With maturity within 12 months	539 377	615 103	200 751
With maturity over 12 months	25 128	5 688	23 932
Discounting of receivables	-	-	-
<b>Total, net trade receivables after discounting</b>	<b>564 505</b>	<b>620 791</b>	<b>224 683</b>

## 26. Cash and cash equivalent

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Cash in hand	74	138	276
Cash at bank	55 867	46 391	82 223
Other cash and cash equivalents - deposits	21 785	37 070	38 644
<b>Total</b>	<b>77 726</b>	<b>83 599</b>	<b>121 143</b>
Cash and cash equivalents excluded from cash flow statement	-	-	-
<b>Cash at end of period</b>	<b>77 726</b>	<b>83 599</b>	<b>121 143</b>

## 27. Construction contracts

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Surplus of invoiced revenues over revenues resulting from degree of advancement	31 588	33 940	15 804
Surplus of revenues resulting from degree of advancement over invoiced revenues	59 574	25 159	54 129
Advances paid towards contracts being performed	26 623	29 722	80 003
Advances received towards contracts being performed	39 824	87 233	116 145
Provision for anticipated losses on contracts	30 070	29 295	1 711
Recognised in balance sheet:			
<i>in current assets</i>			
Construction contracts	<b>86 197</b>	<b>54 881</b>	<b>134 131</b>
<i>in short-term liabilities</i>			
Construction contracts	<b>101 482</b>	<b>150 467</b>	<b>133 660</b>

## 28. Equity

Share capital:

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<b>Unaudited</b>	<b>Modified</b>	<b>Modified</b>
	Par value 0.1 PLN	Par value 0.1 PLN	Par value 0.1 PLN
Series A ordinary shares	1 599 480	1 599 480	1 599 480
Series C ordinary shares	83 180 870	83 180 870	83 180 870
Series D ordinary shares	19 516 280	19 516 280	19 516 280
Series E ordinary shares	25 808 850	25 808 850	25 808 850
Series F ordinary shares	30 000 000	30 000 000	30 000 000
Series G ordinary shares	72 000 000	72 000 000	72 000 000
Series H ordinary shares	179 090 904	179 090 904	-
<b>Total</b>	<b>411 196 384</b>	<b>411 196 384</b>	<b>232 105 480</b>

The share capital of the Parent Company amounts to 41,119,638.40 and is divided on 411,196,384 shares, giving the right to the same number of votes at the Company's General Assembly.

## 29. Non-controlling shares

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
<b>As at start of period</b>	<b>2 407</b>	<b>1 792</b>	<b>18 600</b>
<b>Increases, including:</b>	<b>11</b>	<b>615</b>	-
- changes in ownership interests in subsidiaries that do not result in loss of control	-	497	-
- total comprehensive income for the period	-	118	-
- other	11	-	-
<b>Decreases, including:</b>	<b>572</b>	-	<b>16 808</b>
- loss of control over the subsidiary	-	-	15 549
- total comprehensive income for the period	572	-	848
- purchase of own shares by a subsidiary	-	-	411
<b>As at end of period</b>	<b>1 846</b>	<b>2 407</b>	<b>1 792</b>

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

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

Company name	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	45 000	PLN	30-04-2015	WIBOR O/N + margin	31 000
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	50 000	PLN	30-04-2015	WIBOR 1M + margin	50 000
Trakcja PRKiI S.A.	Bank Zachodni WBK S.A.	investment	18 000	PLN	31-03-2017	WIBOR 1M + margin	9 769
Trakcja PRKiI S.A.	Bank Zachodni WBK S.A.	investment	7 200	PLN	30-09-2015	WIBOR 1M + margin	1 636
Trakcja PRKiI S.A.	mBank S.A.	overdraft	10 000	PLN	29-01-2015	WIBOR O/N + margin	5 256
Trakcja PRKiI S.A.	mBank S.A.	working capital	12 000	PLN	31-12-2014	WIBOR 1M + margin	2 539
PRK 7 Nieruchomości Sp. z o.o.	Bank Ochrony Środowiska S.A.	investment	16 995	PLN	31-10-2014	EURIBOR 3M + margin	14 419
AB Kauno Tiltai	Nordea Dnb	working capital	18 000	EUR	31-08-2015	EURIBOR 3M + margin	60 447
AB Kauno Tiltai	Nordea Dnb	investment	5 685	EUR	01-04-2016	EURIBOR 3M + margin	13 240
AB Kauno Tiltai	Nordea Dnb	investment	6 668	EUR	01-04-2015	EURIBOR 3M + margin	8 266
AB Kauno Tiltai	Nordea Dnb	investment	2 285	EUR	01-04-2015	EURIBOR 3M + margin	4 072
AB Kauno Tiltai	Litewski Urząd Skarbowy	Tax loan	906	LTL	25-11-2014	non-interest bearing	455
AB Kauno Tiltai	Litewski Urząd Skarbowy	Tax loan	2 649	LTL	25-09-2014	non-interest bearing	795
UAB Palangos aplinkkelis	SEB Bank	purpose loan for the contract	8 500	EUR	31-05-2028	EURIBOR 3M + margin	-
UAB Pletros investicijos	Šiaulių plentas UAB	loan from other entities	200	LTL	31-12-2028	fixed interest	2
<b>Total</b>							<b>201 896</b>

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

Interest bearing long term bank credits and loans:

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Bank loans	76 900	8 950	87 734
- investment loans	16 566	8 950	13 859
- revolving loans	60 334	-	73 875
Loans from other entities	2	-	-
Financial lease liabilities	12 341	10 573	10 177
<b>Total</b>	<b>89 243</b>	<b>19 523</b>	<b>97 911</b>

Interest bearing short term bank credits and loans:

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Bank loans	123 744	148 134	30 848
- investment loans	34 836	50 037	4 909
- revolving loans	83 652	77 295	25 939
- overdraft	5 256	20 802	-
- other loans	-	-	-
Loans from other entities	1 250	11 182	-
Financial lease liabilities	4 870	7 809	6 284
<b>Total</b>	<b>129 864</b>	<b>167 125</b>	<b>37 131</b>
<b>Total short and long term loan and credits</b>	<b>219 107</b>	<b>186 648</b>	<b>135 042</b>

### 31. Failure to repay a loan or a violation of the loan agreement, for which there were no corrective action

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

### 32. Bonds

On January 31, 2013 Trakcja PRKiL S.A. issued:

- 29,529 secured bearer bonds of series C of the total nominal value of PLN 29,529,000;
- 20,921 unsecured bearer bonds of series E of the total nominal value of PLN 20,921,000.

The bonds were offered according to the procedure set out in Art. 9, par. 3 of the Act on bonds. The offering of the Bonds did not constitute a public offering within the meaning of the Act of 29 July 2005 on public offering and the conditions for introducing financial instruments to organized trading system and on public companies.

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

Bonds' ageing structure:

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Long-term	50 048	49 926	12 913
Short-term	-	-	147 761
<b>Total</b>	<b>50 048</b>	<b>49 926</b>	<b>160 674</b>

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

Liabilities by virtue of the bond issuance on June 30, 2014 amounted to PLN 50,048 thousand.

### 33. Other financial liabilities

In the item entitled "Other financial liabilities" the Group presented a factoring liability in the amount of PLN 50,075 thousand. On May 10, 2013 the Group concluded a factoring contract with a regress. The limit of financing provided in the contract amounts to PLN 70,000 thousand. Factoring interest is calculated based on the variable WIBOR O/N rate increased by the factor's fixed margin.

### 34. Derivatives

#### *Cash flow hedging instruments*

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

The fair value of IRS is calculated as the present value of estimated future cash flows based on the observation of yield curves. During the I half of 2014 there has been no change in valuation technique used to measure fair value of derivatives.

As at June 30, 2014, the effect of the measurement of the above derivative on long-term liabilities amounted to PLN 3,431 thousand and the effect on other comprehensive income was negative and amounted to PLN 2,562 thousand.

In the first half of the year 2014, the Group assessed the effectiveness of hedging of the concluded IRS transaction. During the reporting period, hedging interest rate was highly effective, therefore no ineffective part due to IRS measurement was identified and recognized in the profit and loss statement.

#### *Other derivatives*

During the reporting period the Group concluded interest rate swap contracts (IRS). The Group did not enter into derivative contracts for speculative purposes. The Group does not apply hedge accounting policy in the reporting period covered by the report to the above IRS, therefore they are measured at fair value through profit or loss. In the I half of 2014 the valuation of financial instruments recognized in the profit and loss account was negative and amounted to PLN 340 thousand while in the I half of 2013 amounted to – PLN 39 thousand.

The fair value of the above IRS contracts is calculated as the present value of future estimated cash flows based on observation of yield curves. During the I half of 2014 there has been no change in the fair value measurement technique.

The Group classifies derivative financial instruments on the Level 2 of fair value hierarchy. During the I half of 2014, there were no transfers between levels 1, 2 and 3. Details of the fair value hierarchy are presented in Note 39.

### 35. Provisions

	<u>Provisions</u>
<b>As at 1.01.2014</b>	<b>23 149</b>
<i>Modified</i>	
Recognized	2 801
Variations due to currency translation	35
Used	(6 848)
Reversed	(5 321)
	<hr/>
<b>As at 30.06.2014</b>	<b>13 816</b>
<i>Unaudited</i>	
including	
- long-term	6 132
- short-term	7 684

### 36. Unwinding of any provision for restructuring costs

Not applicable.

### 37. Trade liabilities and other liabilities

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Trade liabilities, before discounting	406 817	381 768	265 385
Discounting of liabilities	-	-	-
<b>Total, net trade liabilities after discounting</b>	<b>406 817</b>	<b>381 768</b>	<b>265 384</b>
including:			
- liabilities from related entities	2 343	2 517	2 309
Amounts held	65 863	63 956	40 615
Budgetary liabilities	12 878	53 429	18 764
Payroll liabilities	5 306	4 336	3 769
Other liabilities towards third parties	9	640	1 978
Dividends and other distributions	563	40	40
<b>Total trade and other liabilities</b>	<b>491 436</b>	<b>504 169</b>	<b>330 551</b>
	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Trade liabilities before discounting	472 680	445 724	305 999
With maturity within 12 months	445 600	441 097	283 361
With maturity over 12 months	27 080	4 626	22 638
<b>Total, Trade liabilities after discounting</b>	<b>472 680</b>	<b>445 724</b>	<b>305 999</b>

### 38. Fair value of financial instruments

Classes of financial instruments	As at 30.06.2014		As at 31.12.2013	
	Book value	Fair value	Book value	Fair value
<b>Loans granted and receivables</b>	<b>660 586</b>	<b>660 586</b>	<b>715 213</b>	<b>721 890</b>
Loans granted	2 090	2 090	2 125	2 125
Trade and other receivables (excluding budgetary receivables)	580 770	580 770	629 489	636 166
Cash and cash equivalents	77 726	77 726	83 599	83 599
<b>Financial assets held to maturity</b>	<b>38 976</b>	<b>38 976</b>	<b>57 940</b>	<b>57 940</b>
Bank guarantee deposits	38 873	38 873	57 837	57 837
Advances for share purchase	103	103	103	103
<b>Financial assets available for sale</b>	<b>8 561</b>	<b>8 561</b>	<b>695</b>	<b>695</b>
Financial assets related to the concession agreement	8 561	8 561	695	695
<b>Financial liabilities at fair value through profit or loss</b>	<b>3 557</b>	<b>3 557</b>	<b>570</b>	<b>570</b>
Derivatives (liability)	3 557	3 557	570	570
<b>Financial liabilities measured at amortised cost</b>	<b>799 788</b>	<b>800 627</b>	<b>711 193</b>	<b>711 177</b>
Loans and credits including financial lease	219 107	219 107	175 809	175 809
Bonds	50 048	50 887	49 926	50 450
Factoring	52 075	52 075	34 718	34 718
Trade and other liabilities (excluding budgetary liabilities)	478 558	478 558	450 740	450 740

Due to the short term nature of trade receivables and other receivables, trade payables and other liabilities and cash and cash equivalents, the carrying value of these financial instruments approximates their fair value.

Granted loans and borrowings are based on variable market rates based on WIBOR, hence their fair value approximates carrying value.

The fair value of the bonds was determined based on the price quoted on the Catalyst bond market at the balance sheet date (or close date).

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

### 39. Assets and liabilities measured in fair value

The Group measures the following assets and liabilities in fair value: investment properties, derivatives and financial assets related to the concession agreement. During the I half of 2014 there was no change in valuation technique of fair value of the above mentioned assets and liabilities. Details of the valuation techniques used and the unobservable inputs used in the valuation are described in the annual financial statements of the Group for the year 2013.

Items recognized in fair value	Level 1		Level 2		Level 3	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Derivatives (liability side)	-	-	3 557	570	-	-
Financial assets related to the concession agreement	-	-	8 561	695	-	-
Investment property	-	-	-	-	30 642	30 324

Hierarchy of fair value is as follows:

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

**Level 2** – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (using techniques based on actual transactions);

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

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

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

In the I half of 2014 there were no changes in business or economic circumstances which would result in a significant impact on the fair value of financial assets and financial liabilities.

### 41. Change of the write downs and impairments of assets

	Tangible asstes	Intangible assets	Inventory	Receivables	Total
<b>As at 1.01.2014</b>	<b>788</b>	<b>-</b>	<b>1 218</b>	<b>29 302</b>	<b>31 308</b>
<i>Modified</i>					
Recognized	-	-	531	1 740	2 271
Variances due to currency translation	-	-	2	49	51
Used	-	-	-	(14)	(14)
Reversed	-	-	-	(5 195)	(5 195)
<b>As at 30.06.2014</b>	<b>788</b>	<b>-</b>	<b>1 751</b>	<b>25 882</b>	<b>28 421</b>
<i>Unaudited</i>					

### 42. Joint ventures

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



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

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Current assets	13 914	16 791	13 280
including: Cash and cash equivalents	265	835	101
Non-current assets	19 882	10 137	10 368
Long-term liabilities	15 214	9 126	9 732
including: Interest-bearing bank loans and borrowings	5 079	684	2 483
Short-term liabilities	708	514	366
including: Provision for deferred tax	636	514	366
<b>Equity</b>	<b>17 874</b>	<b>17 287</b>	<b>13 550</b>
Proportion of the Group's ownership	50%	50%	50%
<b>Carrying amount of the investment</b>	<b>8 937</b>	<b>8 644</b>	<b>6 775</b>

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
Sales revenues	13 568	9 142
Cost of goods sold	12 521	8 728
including: Depreciation	956	668
Financial income	5	2
including: Interest income	5	2
Financial costs	294	222
including: Interest cost	59	34
Income tax	(172)	(32)
<b>Net result from continued operations</b>	<b>586</b>	<b>224</b>
Net result from discontinued operations	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>586</b>	<b>112</b>
Group's share of profit for the year from continued operations (50%)	293	112
Group's share of total comprehensive income for the year from continued operations (50%)	293	112

As at June 30, 2014, the company BTW had the following contingent liabilities:

- promissory notes in the amount of PLN 2,500 thousand (31.12.2013: PLN 2,500 thousand);
- cession of insurance policies in the total amount of PLN 3,297 thousand (31.12.2013: PLN 3,297 thousand);
- guarantees amounting to PLN 532 thousand (31.12.2013: PLN 516 thousand).

#### 43. Additional information to the cash flow statement

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Cash in hand	74	138	276
Cash at bank	55 867	46 391	82 223
Other cash - deposits up to 3 months	21 785	37 070	38 644
<b>Total cash and cash equivalents</b>	<b>77 726</b>	<b>83 599</b>	<b>121 143</b>
Cash and cash equivalents excluded from cash flow statement	(2 375)	(1 774)	-
<b>Cash and cash equivalents presented in cash flow statement</b>	<b>75 351</b>	<b>81 825</b>	<b>121 143</b>
- including restricted cash	984	912	-

Cash and cash equivalents excluded from the cash flow statement as at June 30, 2014 relate to blocked funds in accounts of development projects in the amount of PLN 2,375 thousand, and restricted cash in the amount of PLN 984 thousand stands for cash used to pay off the interest on the bonds.

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

	30.06.2014	31.12.2013	1.01.2013
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
<b>Contingent receivables</b>			
<b>From related entities due to:</b>	<b>1 621</b>	<b>716</b>	<b>2 385</b>
Received guarantees and sureties	1 621	716	2 385
<b>From related entities due to:</b>	<b>145 807</b>	<b>182 355</b>	<b>125 052</b>
Received guarantees and sureties	134 589	167 837	111 804
Bills of exchange received as collateral	11 218	14 518	13 248
<b>Total contingent receivables</b>	<b>147 428</b>	<b>183 071</b>	<b>127 437</b>
			-
<b>From related entities due to:</b>			-
<b>From related entities due to:</b>	<b>1 621</b>	<b>716</b>	<b>2 385</b>
Provided guarantees and sureties	1 621	716	2 385
<b>From other entities due to:</b>	<b>3 113 639</b>	<b>3 076 804</b>	<b>3 442 845</b>
Provided guarantees and sureties	542 475	598 066	542 226
Promissory notes	445 379	493 193	552 934
Mortgages	341 510	237 118	304 624
Assignment of receivables	1 634 190	1 575 012	1 810 490
Assignment of rights under insurance policy	55 931	71 046	73 265
Security deposits	50 120	58 336	49 132
Other liabilities	44 034	44 034	110 174
<b>Total contingent liabilities</b>	<b>3 115 260</b>	<b>3 077 520</b>	<b>3 445 231</b>

Due to employment contracts executed with the employees and Members of the Management Board, as for June 30, 2014 the Group had contingent receivables in the amount of PLN 1,578 thousand and contingent liabilities in the amount of PLN 7,745 thousand. Furthermore, in case of breach of duties of a Manager as stipulated in the agreement on non-competition, the Manager will pay the Company, without any undue delay or termination notice or demand by the Company, liquidated damages as a counter value of EUR 25,000 in PLN for each case of breach, and counter value of EUR 1,000 in PLN for each day of breach.

Tax settlements and other fields of business activities governed by regulations (e.g. customs and currencies), may be subject of administrative bodies control, which are entitled to impose high penalties and sanctions. Lack of reference to fixed legal regulations in Poland and Lithuania causes the occurrence of ambiguities and inconsistencies in the mandatory provisions of the law. Frequent differences in opinions as to legal interpretation of tax regulations both inside the national bodies and between the national bodies and companies, create the fields of conflicts and uncertainty. These phenomena cause that tax risk in Poland is significantly higher than usually present in countries with a more developed tax system. Tax settlements may be the subject to control for the period of five years, starting at the end of a year, in which the tax was paid. As a result of the performed controls, the current tax settlements of the Group may be increased by additional tax obligations. In the Group's opinion, as for June 30, 2014 proper provisions were created for the recognized and measureable tax risk.

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

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

Between the balance sheet date and the date of preparing these condensed consolidated financial statements, i.e. August 29, 2014 the following material events took place:

On August 12, 2014, the Company signed an annex to subcontract No. P - 6/2011 on "Design and execution of construction works on the railway line Krakow - Medic – state border on the section Podłęże - Bochnia in km 16,000 – 39,000" in the framework of the project "Modernization railway line E30 / C-E30, section Kraków - Rzeszów, stage III"

concluded between Trakcja PRKił S.A. and Thales Poland Sp. z o.o. on May 16, 2011. Due to the annex the term of the agreement was changed to January 11, 2015.

On August 21, 2014, the Company signed an annex to the agreement between Trakcja PRKił and PKP PLK SA on "Design and execution of construction works on the railway line Krakow - Medic - state border section Sedziszów Małopolski - Rzeszów Zachodni at km 133,600 - 154,900". Due to the annex the term of the agreement was changed to April 4, 2015.

#### **46. Seasonal and cyclical activities**

Road and railway construction and assembly services market in Poland is characterized by seasonality related primarily to weather conditions. The highest revenues achieved are usually in the II and III quarters, while the lowest - in the I quarter.

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

In the I half of 2014 the Group did not change classification of financial assets as a result of changes in their purpose or use.

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

In the I half of 2014 the Group did not issue, redeem or repay any debt or equity securities.

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

In the first half of the year 2014, no dividend payment was made by Trakcja PRKił S.A.

#### **50. Material litigation and disputes**

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

##### **Court litigations**

###### *Shareholder vs. Trakcja PRKił S.A. case*

During the I quarter of 2014, the court proceedings concerning the action brought by a Company's shareholder – a natural person – against the Company to declare invalidity of the resolutions passed on 12 December 2012 at an Extraordinary General Meeting of Shareholders, i.e.: (i) resolution no. 4 on the issue of bonds convertible into H series shares and (ii) resolution no. 5 on a conditional increase of the share capital, disapplication of the pre-emption rights of previous shareholders and the change of the company's charter were discontinued. This was announced by the Company in the Current Report No. 6/2014 of 10 March 2014, in which, by referring to the Current Report No. 1/2013 of 3 January 2013, the Company notified that on 10 March 2014, it received a decision of the Regional Court in Warsaw on the discontinuation of the above-mentioned proceedings.

###### *Case concerning the submission of a claim against Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. within a bankruptcy arrangement in Warsaw.*

On 19 December 2013, Trakcja S.A. in Warsaw merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in Wrocław. As a result, Trakcja PRKił S.A. is the successor in title of both companies. Due to the declaration of bankruptcy of Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. (hereinafter referred to as "PNI") with the possibility of entering into an arrangement by the District Court for Warsaw – Praga Północ in Warsaw, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław filed a claim at a bankruptcy court on 20 November 2012. The claim concerned a debt of PLN 55,664,100.89 in total, including the principal, interest due until the bankruptcy declaration date and contractual penalties charged.

According to the Company's knowledge, a list of claims against PNI has been drawn up. Claims of Trakcja PRKił S.A. were recognised at PLN 10,569,163.16, including PLN 10,174,533.87 for unpaid invoices and PLN 294,632.29 for default interest. The court refused to recognise claims for contractual penalties and other claims amounting, in total, to PLN 44,956,834.34. The Company does not accept the refusal to recognise the above-mentioned claims, therefore it appealed against the refusal to recognise these claims to the judge-commissioner. The case is pending.

## Disputes

### *Case concerning the payment of a contractual penalty to Trakcja PRKił S.A. by PKP Polskie Linie Kolejowe S.A.*

Due to the performance by the Consortium, i.e.: Trakcja PRKił S.A., Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., ZUE S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o., Zakład Robót Komunikacyjnych DOM w Poznaniu Sp. z o.o. for PKP Polskie Linie Kolejowe S.A. having its registered office in Warsaw (hereinafter referred to as the "Ordering Party") of the Contract of 31 May 2010 on the construction works aimed at a comprehensive modernisation of the station and routes in the area of LCS Działdowo as part of POIiŚ 7.1-41: "Modernisation of E-65/C-E 65 railway line at Warszawa-Gdynia-LCS Działdowo area section" project ("Contract"), of which the Company informed in its Current Report No. 9/2010 of 31 May 2010, on 21 June 2013, the Company, acting on behalf of the Consortium, issued, in accordance with the provisions of the Contract, a debit note of PLN 95,297,116.95 for a contractual penalty imposed on the Ordering Party for the Ordering Party's failure to meet the deadline for the handover of the construction site. In the I quarter of 2014, the Company and PKP Polskie Linie Kolejowe S.A. took action to settle the dispute by way of negotiations. The negotiations are pending and, according to the issuer, they will conclude with a settlement between the Parties.

**51. Information on related entities**

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

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

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
<b>Akcjonariusze Jednostki dominującej:</b>							
COMSA S.A.	1.01.14-30.06.14	-	490	-	-	-	-
	1.01.13-30.06.13	-	-	-	-	-	-
<b>Wspólne przedsięwzięcia:</b>							
BTW Sp. z o.o.	1.01.14-30.06.14	201	2 179	-	-	-	-
	1.01.13-30.06.13	310	680	-	-	-	-
<b>Razem</b>	<b>1.01.14-30.06.14</b>	<b>201</b>	<b>2 669</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>1.01.13-30.06.13</b>	<b>310</b>	<b>680</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
<b>Shareholders of parent company:</b>					
COMSA S.A.	30.06.2014	-	-	-	-
	31.12.2013	-	1 084	-	-
	1.01.2013	-	1 199	-	-
<b>Joint ventures:</b>					
BTW Sp. z o.o.	30.06.2014	156	2 343	-	-
	31.12.2013	23	1 434	-	-
	1.01.2013	21	1 110	-	-
<b>Total</b>	<b>30.06.2014</b>	<b>156</b>	<b>2 343</b>	<b>-</b>	<b>-</b>
	<b>31.12.2013</b>	<b>23</b>	<b>2 517</b>	<b>-</b>	<b>-</b>
	<b>1.01.2013</b>	<b>21</b>	<b>2 309</b>	<b>-</b>	<b>-</b>

Trakcja PRKiI S.A. has signed with its shareholder: COMSA S.A. an agreement concerning granting Trakcja PRKiI S.A. license to the technical know-how, trademark, competence, industry knowledge, expertise in the organizational, operational, commercial, technological field held by COMSA S.A. The agreement was concluded on market terms. Consideration for the provision of these services by COMSA S.A. amounts to PLN 980 thousand per year while the fee is paid semi-annually.

Additional information and explanations to the condensed consolidated financial statement

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

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
<b>Remuneration of the Management Board of the Parent company</b>		
Salaries and other current employee benefits	3 256	2 226
Post-employment benefits	-	-
Other long-term benefits	-	-
Benefits due to termination of employment	824	1 038
Share-based payment	-	-
<b>Total</b>	<b>4 080</b>	<b>3 264</b>
	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
<b>Remuneration of the Supervisory Board of the Parent company</b>		
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	219	88
<b>Total</b>	<b>219</b>	<b>88</b>

*Warsaw, August 29, 2014*

*The Management Board:*

Roman Przybył  
President of the Board

Marita Szustak  
Vice – president of the Board

Stefan Dziedziul  
Vice – president of the Board

Nerijus Eidukevičius  
Vice – president of the Board

Jarosław Tomaszewski  
Vice – president of the Board

*Person responsible for preparing the financial statement:*

Sławomir Krysiński  
Head of Financial Reporting Trakcja Group



## **TRAKCJA PRKiI S.A.**

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

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

## APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKił S.A. has approved the condensed financial statements of Trakcja PRKił S.A. for the period from January 1, 2014 to June 30, 2014.

The condensed financial statements for the period from January 1, 2014 to June 30, 2014 have been prepared according to the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and applicable to interim reporting as approved by the European Union (IAS 34 "Interim Financial Reporting").

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

1. Profit and loss account for the period from January 1, 2014 to June 30, 2014, showing a net profit of PLN **5,080** thousand.
2. Statement of comprehensive income for the period from January 1, 2014 to June 30, 2014, showing total comprehensive income of PLN **5,577** thousand.
3. Balance sheet drawn up as at June 30, 2014, showing the total assets and total equity and liabilities of PLN **1,073,104** thousand.
4. Cash flow statement for the period from January 1, 2014 to June 30, 2014, showing a decrease of cash balance by PLN **11,765** thousand.
5. Statement of changes in equity for the period from January 1, 2014 to June 30, 2014, showing an increase in equity of PLN **5,579** thousand.
6. Condensed notes and explanations.

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

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

Roman Przybył  
President of the Board

Marita Szustak  
Vice – president of the Board

Stefan Dziedziul  
Vice – president of the Board

Nerijus Eidukevičius  
Vice – president of the Board

Jarosław Tomaszewski  
Vice – president of the Board

Warsaw, August 29, 2014



## CONTENTS

PROFIT AND LOSS ACCOUNT	4
BALANCE SHEET	6
CASH FLOW STATEMENT	7
STATEMENT OF CHANGES IN EQUITY	8
CONDENSED NOTES AND EXPLANATIONS	10
1. General information	10
2. Accounting principles and changes during the half year	11
2.1 Significant values based on professional judgment and estimates	11
2.2 Basic assumptions	13
2.3 Accounting principles	13
2.4 Effect of applying new accounting standards and changes in accounting policies	13
3. Information on the Company's financial standing and its financial results achieved within I half of 2014	19
4. Revenues on sales	20
5. Other operating income	20
6. Financial income	20
7. Financial costs	21
8. Income tax	21
9. Income tax recognized in other comprehensive income	21
10. Property, plant and equipment	22
11. Investments in subordinated entities	22
12. Investment property	22
13. Construction contracts	23
14. Inventory	23
15. Trade receivables and other receivables	24
16. Share capital	24
17. Interest-bearing bank credits and loans	24
18. Other financial liabilities	25
19. Bonds	25
20. Trade liabilities and other liabilities	25
21. Provisions	26
22. Fair value of financial instruments	26
23. Assets and liabilities measured at fair value	26
24. Change of the write downs of assets	27
25. Additional information to cash flow statement	27
26. Conditional receivables and liabilities	28
27. Transactions with related entities	29
28. Remuneration of Members of the Management Board and the Supervisory Board	31

## PROFIT AND LOSS ACCOUNT

	Note	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
		<i>Unaudited</i>	<i>Unaudited, Modified*</i>
<b>Continued operations</b>			
Sales revenue	4	380 908	252 615
Cost of goods sold		(352 886)	(239 562)
Gross profit (loss) on sales		28 022	13 053
Cost of sales, marketing and distribution		(495)	(1 224)
General and administrative costs		(13 720)	(14 990)
Other operating revenues	5	474	15 224
Other operating costs		(864)	(1 196)
Operating profit (loss)		13 417	10 867
Financial revenues	6	853	2 890
Financial costs	7	(7 515)	(8 318)
Gross profit (loss)		6 755	5 439
Income tax	8	(1 675)	(2 349)
Net profit (loss) from continued operations		5 080	3 090
<b>Discontinued operations</b>			
Net profit (loss) from discontinued operations		-	-
Net profit for the period		5 080	3 090

\*) Detailed information has been presented in Note 2 to the condensed financial statements.

## STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	1.01.2014 - 30.06.2014	1.01.2013 - 30.06.2013
		<i>Unaudited</i>	<i>Unaudited, Modified*</i>
<b>Net profit (loss) for the period</b>		<b>5 080</b>	<b>3 090</b>
<b>Other total income for the period</b>			
<b>Other comprehensive income that will not be reclassified into profit or loss under certain conditions:</b>		<b>497</b>	<b>6 879</b>
Profit from revaluation referred into revaluation reserve		-	7 041
Actuarial gains/(losses)		497	(162)
<b>Total other comprehensive income</b>	<b>9</b>	<b>497</b>	<b>6 879</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>5 577</b>	<b>9 969</b>

\*) Detailed information has been presented in Note 2 to the condensed financial statements.

## BALANCE SHEET

ASSETS	Note	30.06.2014	31.12.2013	1.01.2013
		<i>Unaudited</i>	<i>Modified*</i>	<i>Modified*</i>
<b>Non-current assets</b>		<b>607 513</b>	<b>605 866</b>	<b>597 623</b>
Tangible non-current assets	10	104 779	100 555	101 864
Intangible assets		59 203	59 085	58 296
Investment properties	12	25 699	25 699	11 122
Investments in entities accounted using equity method	11	2 008	2 008	2 008
Investments in subsidiaries		383 288	383 289	384 627
Other financial assets		6 462	8 259	19 754
Deferred tax assets		24 955	26 090	17 711
Prepayments		1 119	881	2 241
<b>Current assets</b>		<b>465 591</b>	<b>542 330</b>	<b>272 087</b>
Inventory	14	38 979	42 191	38 432
Trade and other receivables	15	351 655	420 897	126 418
Income tax receivables		-	1 849	586
Other financial assets		26 359	24 491	7 019
Cash and cash equivalents		21 979	33 744	48 763
Accruals		5 900	3 841	4 101
Construction contracts	13	20 719	15 317	46 768
<b>Total assets</b>		<b>1 073 104</b>	<b>1 148 196</b>	<b>869 710</b>
<b>Equity and liabilities</b>				
<b>Equity</b>		<b>541 467</b>	<b>535 888</b>	<b>409 514</b>
Share capital	16	41 120	41 120	23 211
Basic conditional capital		-	-	18 545
Due payments for basic capital (negative value)		-	-	(18 545)
Share premium		310 102	310 102	231 813
Revaluation reserve		13 589	13 597	8 175
Other capital reserves		171 576	145 015	204 451
Retained earnings		5 080	26 054	(58 136)
<b>Total equity</b>		<b>541 467</b>	<b>535 888</b>	<b>409 514</b>
<b>Long-term liabilities</b>		<b>96 701</b>	<b>97 678</b>	<b>64 086</b>
Interest-bearing bank loans and borrowings	17	16 080	19 260	22 064
Bonds	19	50 048	49 926	12 913
Provisions	21	3 160	1 223	1 052
Liabilities due to employee benefits		8 858	9 227	8 854
Deferred tax provision		18 555	17 898	19 203
Derivative financial instruments		-	144	-
<b>Short-term liabilities</b>		<b>434 936</b>	<b>514 630</b>	<b>396 110</b>
Interest-bearing bank loans and borrowings	17	97 194	106 683	25 127
Bonds	19	-	-	147 761
Trade and other liabilities	20	252 661	329 815	196 502
Provisions	21	4 353	11 637	5 253
Liabilities due to employee benefits		7 676	6 633	6 029
Derivative financial instruments		126	-	-
Other financial liabilities	18	52 075	34 718	-
Accruals		83	6	-
Construction contracts	13	20 768	25 138	15 438
<b>Total equity and liabilities</b>		<b>1 073 104</b>	<b>1 148 196</b>	<b>869 710</b>

\*) Detailed information has been presented in Note 2 to the condensed financial statements.

## CASH FLOW STATEMENT

	Note	30.06.2014	30.06.2013
		Unaudited	Unaudited, Modified*
<b>Cash flows from operating activities</b>			
Gross profit from continued operations		6 755	5 439
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		4 328	(132 687)
Depreciation		5 781	5 023
FX differences		75	138
Net interest and dividends		5 281	4 720
Profit on investment activities		(130)	(8 631)
Change in receivables		72 536	(78 514)
Change in inventory		(379)	(25 214)
Change in liabilities, excluding loans and borrowings		(62 167)	(19 221)
Change in prepayments and accruals		(2 218)	(904)
Change in provisions		(5 347)	(2 172)
Change in construction contracts		(9 772)	(5 979)
Change in financial derivatives		(17)	-
Income tax paid		1 849	(170)
Other		(1 164)	(1 763)
<b>Net cash flows from operating activities</b>		<b>11 083</b>	<b>(127 248)</b>
<b>Cash flows from investment activities</b>			
Sale (purchase) of intangible assets and tangible non-current assets		(5 310)	(832)
- acquisition		(5 544)	(1 501)
- sale		234	669
Financial assets		2 720	(4 500)
- sold or repaid		2 802	4 950
- granted or acquired		(82)	(9 450)
Loans		(1 200)	1 200
- repaid		-	3 300
- granted		(1 200)	(2 100)
Interest received		121	122
<b>Net cash flows from investment activities</b>		<b>(3 669)</b>	<b>(4 010)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares		-	(13 800)
Loans and borrowings received		22 594	158 875
Repayment of loans and borrowings		(34 352)	(41 045)
Interest paid		(5 396)	(4 595)
Payment of liabilities under financial lease agreements		(2 025)	(1 746)
Other		-	(24)
<b>Net cash flows from financing activities</b>		<b>(19 179)</b>	<b>97 665</b>
<b>Total net cash flows</b>		<b>(11 765)</b>	<b>(33 593)</b>
Net FX differences		-	-
<b>Cash at start of period</b>		<b>33 744</b>	<b>48 763</b>
<b>Cash at end of period</b>		<b>21 979</b>	<b>15 170</b>
- with limited access	25	984	978

\*) Detailed information has been presented in Note 2 to the condensed financial statements.

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium	Revaluation reserve	Other reserves capital	Retained earnings	Total equity	
						Actuarial gains/ (losses)	Results from previous years		
Modified*									
As at 1.01.2014 after adjustments	41 120	-	-	310 102	14 945	(2 665)	147 881	26 220	537 603
Corrections of errors	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 348)	-	(201)	(166)	(1 715)
As at 1.01.2014 after adjustments	41 120	-	-	310 102	13 597	(2 665)	147 680	26 054	535 888
Net profit for the period	-	-	-	-	-	-	-	5 080	5 080
Other comprehensive income	-	-	-	-	-	497	-	-	497
Distribution of profit	-	-	-	-	-	-	26 054	(26 054)	-
Other changes	-	-	-	-	(8)	-	10	-	2
As at 30.06.2014	41 120	-	-	310 102	13 589	(2 168)	173 744	5 080	541 467
Modified*									
As at 1.01.2013	23 211	18 545	(18 545)	231 813	9 504	(1 347)	206 017	(58 136)	411 062
Corrections of errors	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 329)	-	(219)	-	(1 548)
As at 1.01.2013 after adjustments	23 211	18 545	(18 545)	231 813	8 175	(1 347)	205 798	(58 136)	409 514
Net profit for the period	-	-	-	-	-	-	-	3 090	3 090
Other comprehensive income	-	-	-	-	7 041	(162)	-	-	6 879
Losses cover	-	-	-	-	-	-	(58 136)	58 136	-
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	-	96 198
Other changes	-	-	-	-	(1 261)	-	-	-	(1 261)
As at 30.06.2013	41 120	-	-	310 102	13 955	(1 509)	147 662	3 090	514 420

\*) Detailed information has been presented in Note 2 to the condensed financial statements.

	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium	Revaluation reserve	Other capital reserves	Retained earnings	Total equity	
						Actuarial gains/ (losses)	Results from previous years		
Modified*									
As at 1.01.2013	23 211	18 545	(18 545)	231 813	9 504	(1 347)	206 017	(58 136)	411 062
Corrections of errors	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 329)	-	(219)	-	(1 548)
As at 1.01.2013 after adjustments	23 211	18 545	(18 545)	231 813	8 175	(1 347)	205 798	(58 136)	409 514
Net profit for the period	-	-	-	-	-	-	-	26 054	26 054
Other comprehensive income	-	-	-	-	7 041	(1 318)	-	-	5 723
Losses cover	-	-	-	-	-	-	(58 136)	58 136	-
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	-	96 198
Other changes	-	-	-	-	(1 619)	-	18	-	(1 601)
As at 31.12.2013	41 120	-	-	310 102	13 597	(2 665)	147 680	26 054	535 888

\*) Detailed information has been presented in Note 2 to the condensed financial statements.

## CONDENSED NOTES AND EXPLANATIONS

### 1. General information

Trakcja PRKiI S.A. in its present form was established on November 30, 2004 as a result of acquisition of the holding company Trakcja Polska S.A. by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. ("PKRE S.A."). The Company's business name was then Trakcja Polska S.A. and was changed by Resolution no. 2 adopted by an Extraordinary Shareholder Meeting on November 22, 2007. The change was confirmed by the entry in the National Court Register made on December 10, 2007. The Company's previous business name was Trakcja Polska – PKRE S.A. The Parent company operates on the basis of the articles of association prepared in the form of a notary deed on January 26, 1995 (Rep. A No. 863/95), as amended.

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

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

On December 21, 2013, the Regional Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register, registered the change of the Company's business name from Trakcja - Tiltra S.A. to Trakcja S.A. The above change was registered pursuant to Resolution no. 3 adopted by the Extraordinary Shareholder Meeting on December 12, 2013.

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

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

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

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

The interim condensed financial statements cover the period of 6 months ended on June 30, 2014 and include comparative data for the period of 6 months ended on June 30, 2013 and as at December 31, 2013.

These financial statements were approved for publication by the Management Board on August 29, 2014. The financial statements are part of the condensed consolidated interim report, which also includes the condensed consolidated report of the Trakcja Group (the "Group"), where the Company is a Parent company.

The composition of the Trakcja Capital Group and other general information on the Company has been presented in note no. 2 of the notes and explanations included in the Group's condensed consolidated financial statements for the period of 6 months ended on June 30, 2014.

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



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

### **2.1 Significant values based on professional judgment and estimates**

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

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

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

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

#### **Professional judgment**

##### *Fair value of financial instruments*

Fair values of the financial instruments for which active market does not exist are estimated by means of appropriate estimation methods. When selecting the methods and assumptions, the Company follows the professional judgment. Applied assumptions are presented in note No. 44 of Additional information and explanations to the Financial statements for the year ended December 31, 2013.

##### *Classification of leasing agreements*

The Company classifies leasing as operational or financial, based on an assessment of the scope in which risk and benefits due to possession of the object of leasing are assigned to the lessor or the lessee. This assessment is based on the economic content of each transaction. Additional information have been presented in note No. 10.2.4, 41 and 42 of Additional information and explanations to the Financial statements for the year ended December 31, 2013.

##### *Investment properties*

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

##### *Goodwill allocation to cash generating units*

Pursuant to IAS 36, goodwill is allocated to cash generating units. The Company's Management Board performs an assessment connected with allocation of goodwill to relevant units that generate cash flows. Professional judgment concerns in particular reallocation of the goodwill recognized from the acquisition of AB Kauno Tiltai group, initially allocated to the road segment. Pursuant to the decision of the Management Board, the aforementioned goodwill, in consequence of Group restructuring and a change of cash generating units was reallocated on the basis of relative values method, in the amount of PLN 99 million, to the civil building segment.

##### *Recognition and loss of control over related entities*

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

## **Uncertainty of estimates**

### *Valuation of liabilities due to employee benefits*

Liabilities due to employee benefits concerning retirement severance payments and jubilee awards were estimated based on actuarial methods. Value of the liability depends on numerous factors, which are used as assumptions in the actuarial method. One of the basic assumptions for determining the amount of the liability is the discount rate and the average expected increase of salaries. Any change in these assumptions affects the value of the liability.

### *Provisions for correction works*

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

### *Provisions for contractual penalties*

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

### *Component of deferred tax assets*

The Company recognizes a component of assets by virtue of deferred tax based on the assumption that tax profit shall be attained in the future allowing its utilization. Deterioration of the recorded tax results in the future could cause that such assumption would be unjustified. The Company's Management Board verifies adopted estimations concerning probability of recovering deferred tax assets, basing on changes of factors taken into account, new information, and past experiences. Probability of realizing the deferred tax asset with future tax profits is based on the Company budget. The Company recognized in the books the deferred tax asset up to the amount, to which it is probable that it will generate taxable profit, which will allow offsetting negative temporary differences.

### *Revenues recognition*

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

### *Depreciation rates*

The amount of depreciation rates is set based on the expected period of economic usability of material components of tangible and intangible assets. Every year the Company performs verification of the adopted assets' economic useful lives based on current estimations.

### *Impairment of financial assets*

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

### *Investment properties*

Investment properties are measured at fair value. Valuations of investment properties are prepared as at each December 31 by independent experts with qualifications to perform such valuations. The selection of the approach and the method is driven by principles defined in the Act on real properties management and in the Regulation of the Council of Ministers on detailed rules of valuation of real properties and on the rules and mode of preparing appraisal reports. During the year, as at March 31, June 30 and September 30, the Company performs analysis on the possibility of changes in fair value of investment properties. Valuation of the fair value of investment properties was subject to such valuation techniques that maximize the use of observable data.

### *Approach to the investment in AB Kauno Tiltai*

The Company does not perform identification of the cost of investment in terms of the individual companies in the investment made April 19, 2011 concerning the acquisition of shares of several companies tj. AB Kauno Tiltai, Lithold AB and Silentio Investments Sp. z o. o., which was based on a common agreement for the entire transaction. The above agreement sets out the total payment consideration for the whole package of the acquired companies, thereby stating the total purchase price of the whole package companies, not each company separately. The Management Board sees no practical possibility of dividing the purchase price paid. The Company performs an annual impairment test of the investment as a whole.

### *Impairment of inventory*

The Management Board assesses whether there are prerequisites indicating a possibility of an impairment of inventory. Stating an impairment requires estimation of the net values possible to recover for inventory, which deteriorated or became obsolete.

### *Write-down of trade receivables and other receivables*

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

## **2.2 Basic assumptions**

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

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

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

The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements and they should be read jointly with the Company's financial statements for the year ended on December 31, 2013.

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

## **2.3 Accounting principles**

These interim financial statements have been prepared in accordance with the International Financial Reporting Standards, which are applicable to annual periods beginning from January 1, 2014 as adopted by the European Union.

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

A detailed description of the accounting principles adopted by the Company is presented in its financial statements for the financial year ended December 31, 2013 published on March 21, 2014 and consolidated condensed financial statements for the period of 6 months ended June 30, 2014.

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

The accounting principles (policy) applied to prepare these condensed financial statements for I half of the year 2014 are consistent with those used to prepare the financial statements for the financial year ended December 31, 2013,

except for the changes described below. The same principles were used for the current period and for the comparative period, unless a standard or an interpretation assumed exclusively prospective application.

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

The following new or amended standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee are binding from January 1, 2014:

- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*;
- IFRS 12 *Disclosure of Interest in Other Entities*;
- IAS 27 *Separate Financial Statements*;
- IAS 28 *Investments in associates and joint ventures*;
- Changes in IAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- *Guidelines related to the interim provisions* (Amendments to IFRS 10, IFRS 11, and IFRS 12);
- *Investment Units* (Amendments to IFRS 10, IFRS 12 and IFRS 27);
- Changes to IAS 36 *Recoverable Amounts Disclosures for Non-Financial Assets*;
- Changes to IAS 39 *Novation of derivatives and continuation of hedge accounting*.

Their application did not influence the business results and financial standing of the Company and resulted only in changes of the applied accountancy principles or possible extension of the scope of necessary disclosures or amendments to the used terminology.

Main consequences of application of new regulations:

- IFRS 10 *Consolidated Financial Statements*

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

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

- IFRS 11 *Joint Arrangements*

The new standard was published on May 12, 2011 and will replace interpretation SKI 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, and IAS 31 Interests in Joint Ventures. The standard puts emphasis on rights and obligations resulting from joint arrangements, regardless of their legal form, and eliminates inconsistency in reporting through specifying the method for settling contributions in jointly controlled entities.

The application of the new standard resulted in a change of BTW consolidation method from the proportional method to the equity method (the change is described in details in the condensed consolidated financial statements for the six months ended June 30, 2014 in Note 10.2).

The Company changed in the balance sheet the presentation of investment in BTW in the amount of PLN 2 008 thousand. Earlier shares were presented as part of the investment in subsidiaries. After the change, the Company presents them in a separate line, i.e. Investments in entities accounted using equity method. The Company adjusted the presentation in the balance sheet as at January 1, 2013 and December 31, 2013. This change had no impact on net profit and Company's equity.

- IFRS 12 *Disclosure of Interest in Other Entities*

The new standard was published on May 12, 2011 and contains requirements related to disclosures on interest in other entities or investments.

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

- IAS 27 *Separate Financial Statements*

The new standard was published on May 12, 2011 and results mainly from moving certain regulations of the existing IAS 27 to the new IFRS 10 and IFRS 11. The standard includes requirements concerning recognition and disclosures, in separate financial statements, of investments in associated entities, subsidiaries, and joint ventures. The standard will replace the existing IAS 27 Consolidated and Separate Financial Statements.

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

- *IAS 28 Investments in associates and joint ventures*

The new standard was published on May 12, 2011 and relates to the settlement of investments in associates. It also specifies requirements concerning the application of the equity method in investments in associates and in jointly controlled entities. The standard will replace IAS 28 Investments in Associates

The application of the amended standard has no influence on the Company's financial statements.

- *Changes in IAS 32 Offsetting Financial Assets and Financial Liabilities*

Changes in IAS 32 were published on 16 December 2011 and apply to annual reporting periods starting from July 1, 2014 or later. Changes are a reaction to the existing inconsistencies in applying the offsetting criteria set forth in IAS 32.

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

- *Guidelines related to the interim provisions (Amendments to IFRS 10, IFRS 11, and IFRS 12)*

The guidelines were published on June 28, 2012 and contain additional information on the application of IFRS 10, IFRS 11 and IFRS 12, including presentation of comparative data in case of the first-time adoption of the above-mentioned standards.

The application of the amended standard has no influence on the Company's financial statements.

- *Investment Units (Amendments to IFRS 10, IFRS 12 and IFRS 27)*

The guidelines were published on October 31, 2012 and include other principles regarding the application of IFRS 10 and IFRS 12 in case of investment trusts.

The application of the amended standard has no influence on the Company's financial statements.

- *Changes to IAS 36 Recoverable Amounts Disclosures for Non-Financial Assets*

Changes were published on May 29, 2013 and apply to annual periods starting from January 1, 2014 or later. Changes result in a modification of the scope of disclosures regarding non-financial assets' impairment of the value; amongst others, they require disclosing the recoverable value of the asset (cash-generating units) only in the periods, when the impairment or its reversal was recognized in regard to the given asset (or units). In addition, the amended standard indicates that a wider and more precise scope of disclosure will be required in case of determining the recoverable value as a fair value less costs to sell, and in case of determining the fair value decreased by costs of sale using the technique for determining the current value (discounted cash flow) it will be necessary to provide information about the applied discounting rate (in case of recognizing the impairment or its reversal).

The changes also adjust the scope of disclosures concerning recoverable value, regardless of whether it was determined as a usable value or fair value less cost to sell.

The application of the amended standard has no influence on the Company's financial statements.

- *Changes to IAS 39 Novation of derivatives and continuation of hedge accounting*

Changes were published on 27 June 2013 and apply to annual periods starting from January 1, 2014 or later. Changes allow continuous application of hedge accounting (on certain conditions), if a derivative, which is the hedging instrument, is renewed due to legal regulations, and the amendment results in a change of the clearing institution. Changes in IAS 39 are an effect of legal changes in many countries, which resulted in obligatory clearing of existing OTC derivatives and their renewal based on an agreement with the central clearing institution.

The application of the amended standard has no influence on the Company's financial statements.

## **New standards and interpretations**

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

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

## **Voluntary changes introduced by the Company**

The Company has introduced the following changes in the financial statements for the I half of year 2014.

### **Change in the accounting policy concerning revenues and costs' recognition related to consortium agreements**

In the current period, the Company changed the presentation of consortium agreements in which the Company acts as the leader of the consortium. So far, in such cases, the Company presented all revenues and costs incurred in the implementation of a consortium agreement as the Company's revenues and expenses reported in the income statement.

As a result of the consortium agreements contents' analysis, the Company has decided not to recognize in the profit and loss account the revenues and costs relating to consortium partners - in accordance with the wording of IFRS 11.

Change has no impact on the Company's net profit for the I half of 2013 and the I half of 2014. As a result of this change, the Company's revenues and costs in the I half of 2014 decreased by PLN 95,190 thousand while in the comparable period of 2013 they decreased by the amount of PLN 97,947 thousand.

Management believes that it is impossible to eliminate receivables and liabilities from the balance sheet related to the consortium agreements due to the existing credit risk in relation to suppliers and customers. Receivables and liabilities in respect of these contracts involve different counterparties.

Offsetting financial assets and liabilities (which include trade receivables and trade payables) is regulated by IAS 32 par. 42:

*„A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:*

*(a) currently has a legally enforceable right to set off the recognised amounts; and*

*(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.”*

At the balance sheet date, June 30, 2014, the Company presented in the balance sheet the following open positions in regards to consortium members:

- Trade receivables in the amount of PLN 80,931 thousand;
- Trade payables in the amount of PLN 77,590 thousand.

### **Change in accounting policy concerning the right of perpetual usufruct of land recognition**

The Company decided to change the accounting policy relating to the accounting for perpetual usufruct of land (PWUG).

Prior to the change in accounting policy, the Company recognized PWUG at fair value as fixed assets in correspondence with the revaluation reserve. The right of perpetual usufruct of land was not subject to depreciation.

According to the change in accounting policy, the Company is currently classifying the perpetual usufruct of land as follows depending on the method of acquisition of the rights:

- PWUG obtained free of charge on the basis of an administrative decision in the amount of PLN 1,567 thousand - are treated as operating leases and recognized off-balance sheet.
- PWUG acquired on the basis of payment from third parties or the merger with subsidiaries - are recognized in the item "Fixed assets" at acquisition cost less accumulated depreciation.

Depreciation is recognized in the profit and loss account in general and administrative costs.

Perpetual usufruct of land depreciation takes place over the period for which the permission has been granted. This period is 99 years.

Change has an impact on the Company's net profit for the I half of 2013, amounting to (negative) PLN 83 thousand and the Company's equity value presented in the balance sheet as at December 31, 2013 in the negative amount of PLN 1,715 thousand, and as at January 1, 2013 in the negative amount of PLN 1,548 thousand. The above mentioned changes in the statement of financial position as at December 31, 2013 and as at January 1, 2013 are presented in the tables below:

<b>BALANCE SHEET</b>	<b>1.01.2013 Published data</b>	<b>Off the balance sheet recognition of perpetual usefruct of land</b>	<b>Perpetual usefruct of land depreciation</b>	<b>1.01.2013 Modified data</b>
	<i>Unaudited</i>			<i>Unaudited, Modified</i>
Tangible non-current assets	103 775	(1 567)	(344)	101 864
<b>Total assets</b>	<b>871 621</b>	<b>(1 567)</b>	<b>(344)</b>	<b>869 710</b>
Total equity	411 062	(1 269)	(279)	409 514
Provision for deferred tax	19 565	(298)	(65)	19 202
<b>Total equity and liabilities</b>	<b>871 621</b>	<b>(1 567)</b>	<b>(344)</b>	<b>869 710</b>

<b>BALANCE SHEET</b>	<b>31.12.2013 Published data</b>	<b>Off the balance sheet recognition of perpetual usefruct of land</b>	<b>Perpetual usefruct of land depreciation</b>	<b>31.12.2013 Modified data</b>
	<i>Audited</i>			<i>Audited, Modified</i>
Tangible non-current assets	102 643	(1 567)	(521)	100 555
<b>Total assets</b>	<b>1 150 284</b>	<b>(1 567)</b>	<b>(521)</b>	<b>1 148 196</b>
Total equity	537 603	(1 269)	(446)	535 888
Provision for deferred tax	18 271	(298)	(75)	17 898
<b>Total equity and liabilities</b>	<b>1 150 284</b>	<b>(1 567)</b>	<b>(521)</b>	<b>1 148 196</b>

#### Employee benefits costs' presentation change

The Company changed the employee benefits costs' presentation. So far the costs were presented in other operating activity. After the change the Company presents these costs in cost of sales, cost of sales, marketing and distribution and general and administrative expenses. Management believes that such presentation will reflect more accurate picture of the financial result of the Company. In accordance with IAS comparable data were changed. Due to the above change the net profit for comparable period was adjusted by PLN 162 thousand. The presentation change had no influence on the Company's equity.

#### Adjustments related to the merger of Trakcja S.A. with PRKił S.A.

On December 19, 2013, the District Court for the Capital City Warsaw, XII Commercial Division of the National Court Register registered the merger of Trakcja S.A. with its seat in Warsaw ("the Acquiring Company") with PRKił S.A. seated in Wrocław ("PRKił S.A. ", "the Acquired Company") .

The merger took place in accordance with art . 492 § 1 . 1 CCC, i.e. by the transfer of all assets of the Acquired Company to the Acquirer - in accordance with Resolution No. 3 of the Extraordinary General Meeting of 27 November 2013 on the merger of Trakcja S.A. with the PRKił S.A. Due to the fact that the Acquiring Company holds 100 % of the shares of the Acquired Company , the merger took place under the simplified procedure (pursuant to art . 516 § 6 of the CCC ), i.e. without increasing the share capital or any exchange of shares.

In connection with the settlement of the merger of Trakcja S.A. with PRKił S.A. the comparative data were restated as follows:

- standalone profit and loss account of the Trakcja PRKił S.A. for the period from January 1, 2013 to June 30, 2013: revenues and costs of both companies were summed up, the intercompany transactions were eliminated, the adjustments for common margins on joint contracts was applied (negative impact on gross profit of PLN 297 thousand, net profit in the amount of: 241 thousand);

The impact of the merger on the individual and consolidated balance sheet as at December 31, 2013 and January 1, 2013 is presented in Additional information and explanations to the annual financial statements for 2013 in Note 8.

The following is a summary of the cumulative effect of the changes described above for the individual elements of the standalone profit and loss account of the Company for the I half of 2013.

PROFIT AND LOSS ACCOUNT	1.01.2013 - 30.06.2013 Published data	PRKil S.A.	Eliminations	Joint contracts margin adjustment	Employee benefits costs presentation change	Perpetual usefruct of land depreciation	1.01.2013 - 30.06.2013 Modified data
	<i>Unaudited</i>						<i>Unaudited, Modified</i>
Sales revenues	163 720	197 863	(10 724)	(297)	-	-	350 562
Cost of goods sold	(159 454)	(189 618)	10 533	-	1 030	-	(337 509)
<b>Gross profit (loss) on sales</b>	<b>4 266</b>	<b>8 245</b>	<b>(191)</b>	<b>(297)</b>	<b>1 030</b>	-	<b>13 053</b>
Cost of sales, marketing and distribution	(437)	(774)	1	-	(14)	-	(1 224)
General and administrative costs	(10 454)	(3 458)	39	-	(1 029)	(88)	(14 990)
Net result from other operating activity	13 670	(373)	(5)	-	736	-	14 028
<b>Operating profit (loss)</b>	<b>7 045</b>	<b>3 640</b>	<b>(156)</b>	<b>(297)</b>	<b>723</b>	<b>(88)</b>	<b>10 867</b>
Net result from other financial activity	(3 241)	(1 566)	(98)	-	(523)	-	(5 428)
<b>Gross profit (loss)</b>	<b>3 804</b>	<b>2 074</b>	<b>(254)</b>	<b>(297)</b>	<b>200</b>	<b>(88)</b>	<b>5 439</b>
Income tax	(1 909)	(464)	-	57	(38)	5	(2 349)
<b>Net profit</b>	<b>1 895</b>	<b>1 610</b>	<b>(254)</b>	<b>(240)</b>	<b>162</b>	<b>(83)</b>	<b>3 090</b>

STATEMENT OF TOTAL COMPREHENSIVE INCOME	1.01.2013 - 30.06.2013 Published data	PRKil S.A.	Eliminations	Joint contracts margin adjustment	Employee benefits costs presentation change	Perpetual usefruct of land depreciation	1.01.2013 - 30.06.2013 Modified data
	<i>Unaudited</i>						<i>Unaudited, Modified</i>
Net profit (loss) for the period	1 895	1 610	(254)	(240)	162	(83)	3 090
Total other comprehensive income	7 041	-	-	-	(162)	-	6 879
<b>TOTAL INCOME FOR THE PERIOD</b>	<b>8 936</b>	<b>1 610</b>	<b>(254)</b>	<b>(240)</b>	<b>-</b>	<b>(83)</b>	<b>9 969</b>



### **3. Information on the Company's financial standing and its financial results achieved within I half of 2014**

In the I half of the year 2014, Trakcja PRKił S.A. generated sales revenue on sale in the amount of PLN 380,908 thousand, which increased by 50.8 per cent in comparison with the analogous period of the preceding year. Cost of goods sold for the period of 6 months in 2014 was PLN 352,886 thousand and increased by 47.3 per cent in relation to the comparable period. The gross profit on sale amounted to PLN 28,022 thousand and was higher by PLN 14,969 thousand in comparison with the comparable period.

The overheads costs reached PLN 13,720 thousand and decreased by 8.5 per cent, i.e. by PLN 1,270 thousand in comparison with the comparable period. The sales, marketing and distribution costs amounted to PLN 495 thousand and decreased by PLN 729 thousand. Other operating revenue amounted to PLN 474 thousand and decreased by PLN 14,750 thousand in relation to the I half of the year 2013 due to the recognition in the I half of 2013 year of income from redemption of liability of PLN 6,225 thousand, the fair value adjustment of investment property in the amount of PLN 4,148 thousand and profit on sale of non-financial assets in the amount of PLN 4,359 thousand. Other operating costs reached PLN 864 thousand and decreased by PLN 332 thousand. The Company generated operating profit for the period of 6 months in 2014 in the amount of PLN 13,417 thousand, which increased by PLN 2,550 thousand in comparison with the operating profit for the period of the I half of the year 2013.

The financial income of the Company for the period from January 1 to June 30, 2014 reached PLN 853 thousand and decreased in relation to the comparable period by PLN 2,037 thousand. The financial revenues in the I half of 2013 have been influenced by the recognition of dividends received from a subsidiary in the amount of PLN 1,000 thousand and the recognition of the revenue from the reversal of provisions for interest on liabilities in the amount of PLN 803 thousand. The financial costs in the I half of the year 2014 decreased by PLN 803 thousand and amounted to PLN 7,515 thousand. The said decrease was due to the decrease of the bonds' interest cost issued by the Company and the increase of credits' interest costs.

In the discussed period, the Company generated the gross profit in the amount of PLN 6,755 thousand, the result was higher by PLN 1,316 thousand in comparison with the analogous period last year, when the Company generated the gross profit of PLN 5,439 thousand.

The income tax for the I half of the year 2014 amounted to PLN 1,675 thousand. In the analyzed period, the Company did not pay corporate income tax. The Company closed the I half of the year 2014 with net profit in the amount of PLN 5,080 thousand, the result was higher by PLN 1,990 thousand in relation to the result achieved in the I half of the year 2013.

The balance sheet total as for June 30, 2014 amounted to PLN 1,073,104 thousand and was lower by PLN 75,092 thousand than the balance sheet total at the end of 2013.

The value of non-current assets as for June 30, 2014 was PLN 607,513 thousand and increased by PLN 1,647 thousand, which constitutes an increase by 0.3 per cent in comparison with the annual balance sheet total as for December 31, 2013.

Current assets decreased by 14.1 per cent in comparison with the balance as for December 31, 2013 and amounted to PLN 465,591 thousand. The decrease mainly resulted from the decrease in trade and other receivables by the amount of PLN 69,242 thousand. The decrease of cash and cash equivalents by PLN 11,765 thousand was mainly due to settlement of current liabilities. The Company implements the policy of price optimization for the purchased materials and therefore purchases the inventories that are necessary for the currently realized and commenced contracts. The construction contracts as for balance sheet date amounted to PLN 20,719 thousand and increased by PLN 5,402 thousand, which constitutes the increase by 35.3 per cent, in comparison to the preceding year.

As for June 30, 2014, the Company's equity amounted to PLN 541,467 thousand and increased by PLN 5,579 thousand, i.e. by 1 per cent in comparison with the balance as for December 31, 2013. This increase was mainly due to the achievement of net profit of PLN 5,080 thousand for the I half of the year 2014.

As for June 30, 2014, the Company's non-current liabilities amounted to PLN 96,701 thousand and decreased by PLN 977 thousand, i.e. by 1 per cent in comparison with the balance as for December 31, 2013. The said decrease resulted from the decrease of the interest-bearing bank loans and borrowings in comparison to the balance as at December 31, 2014.

The current liabilities amounted to PLN 434,936 thousand and decreased by PLN 79,694 thousand, i.e. by 15.5 per cent in comparison with the balance at the end of the preceding year. The said decrease mainly resulted from the decrease

of trade and other liabilities. As for June 30, 2014, trade payables reached PLN 252,661 thousand and decreased by PLN 77,154 thousand in comparison with the balance as for December 31, 2013. The short-term interest-bearing bank loans and borrowings amounted to PLN 97,194 thousand as for the balance sheet date on June 30, 2014 and decreased in comparison with the balance at the end of the preceding year by PLN 9,489 thousand.

#### 4. Revenues on sales

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
<b>Sales revenue</b>		
Revenues from sale of construction services	373 536	246 538
Revenues from sale of goods and materials	389	2 757
Revenues from sale of other products and services	6 983	3 320
<b>Total</b>	<b>380 908</b>	<b>252 615</b>

#### 5. Other operating income

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
<b>Other operating income:</b>		
- valuation of investment properties	-	4 148
- received penalties and fines	142	76
- redeemed liabilities	-	6 225
- profit on sale of non-financial non-current assets	130	4 483
- other	202	292
<b>Total</b>	<b>474</b>	<b>15 224</b>

During the I half of the year 2013, the Company updated the fair value of investment property and recognized the positive effect on the result in the amount of PLN 4,148 thousand. The value of revenue due to the redeemed liability amounting to PLN 6,225 thousand results from an agreement concluded with the contractor. In the I half 2013 years the Company recognized a gain of PLN 4,359 thousand from the sale of the property located at Oliwska Street and the property situated at Górczewska Street in Warsaw classified as fixed assets.

#### 6. Financial income

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
Financial revenues from interest, including:	685	1 645
- bank interest	191	206
- interest on receivables	20	80
- interest on released provisions for interest on liabilities	-	803
- interest on borrowings	458	546
- other	16	10
Dividends from subsidiaries	-	1 000
Financial income from FX differences	-	200
Financial income from participation in the cost of guarantees	168	-
Resolving of receivables write-downs	-	38
Other financial income	-	7
<b>Total</b>	<b>852</b>	<b>2 890</b>

## 7. Financial costs

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
Financial costs from interest, including:	5 635	6 827
- loan and borrowings interest	2 410	3 062
- interest on liability	93	184
- interest on lease	461	388
- interest on bonds	1 722	2 669
- other	949	524
Costs associated with the conversion of bonds into shares (non-monetary)	-	702
Factoring costs	1 011	-
Revaluation of bonds	122	152
Commission on advance payment guarantees	127	91
Financial cost from FX differences	48	-
Financial commissions paid	232	381
Loss on derivatives	340	-
Other financial costs	-	165
<b>Total</b>	<b>7 514</b>	<b>8 318</b>

## 8. Income tax

	<b>Consolidated Balance Sheet as at</b>		<b>Consolidated statement of total comprehensive income for the period of 6 months ended</b>
	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>30.06.2014</b>
	<i>Unaudited</i>	<i>Modified</i>	
Deferred tax assets	24 955	26 090	(1 135)
Deferred tax liabilities	18 555	17 898	(657)
<b>Change of deferred tax assets and liabilities</b>			<b>(1 792)</b>
Recognized:			
- in net profit			(1 675)
- in equity			(117)

## 9. Income tax recognized in other comprehensive income

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
<b>Profit from revaluation referred into revaluation reserve</b>		
Gross amount	-	8 693
Tax	-	(1 652)
<b>Net amount</b>	<b>-</b>	<b>7 041</b>
<b>Actuarial gains/(losses)</b>		
Gross amount	614	(200)
Tax	(117)	38
<b>Net amount</b>	<b>497</b>	<b>(162)</b>

## 10. Property, plant and equipment

In the period from January 1, 2014 to June 30, 2014, the Company purchased tangible fixed assets in the amount of PLN 6,882 thousand (in the comparable period: PLN 3,026 thousand).

In the period from January 1, 2014 to June 30, 2014, the Company disposed of its property, plant and equipment with a total book value of PLN 359 thousand (in the comparable period: PLN 1,967 thousand).

## 11. Investments in subordinated entities

The Company owns:

- shares of the total value of PLN 364,109 thousand in AB Kauno Tiltai, representing a 96.84% stake in the share capital of AB Kauno Tiltai. Total Trakcja PRKiI's interest in its subsidiary AB Kauno Tiltai amounts to 98.09% (96.84% direct interest and 1.25% indirect interest). Indirect interest results from possessing own shares by AB Kauno Tiltai.
- ownership interests worth PLN 17,714 thousand in PRK 7 Nieruchomości Sp. z o.o., seated in Warsaw, giving a 100% stake in the company's equity capital;
- ownership interests worth PLN 1,400 thousand in Torprojekt Sp. z o.o., seated in Warsaw, giving a 82.35% stake in the company's equity capital.
- an ownership interest worth PLN 65 thousand in Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o., seated in Białystok, giving a 0.2% stake in the company's equity capital (The Company indirectly holds a 97.4% stake in the share capital of PEUiM that is why PEUiM is classified as a subsidiary and fully consolidated).

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

## 12. Investment property

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
<b>As at start of period (by type groups) - net value:</b>	<b>25 699</b>	<b>11 122</b>	<b>9 218</b>
- land	15 464	7 203	4 438
- buildings, premises, civil and water engineering structures	10 235	3 919	4 780
<b>Increases:</b>	-	<b>14 577</b>	<b>2 765</b>
- land	-	8 261	2 765
- revaluation	-	850	2 765
- movement from fixed assets	-	7 411	-
- buildings, premises, civil and water engineering structures	-	6 316	-
- revaluation	-	3 298	-
- movement from fixed assets	-	3 018	-
<b>Decreases</b>	-	-	<b>861</b>
- land	-	-	-
- buildings, premises, civil and water engineering structures	-	-	<b>861</b>
- revaluation	-	-	861
<b>As at end of period (by type groups) - net value:</b>	<b>25 699</b>	<b>25 699</b>	<b>11 122</b>
- land	15 464	15 464	7 203
- buildings, premises, civil and water engineering structures	10 235	10 235	3 919

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

The most recent valuation of investment properties was made by an appraiser on 31 December 2013. On June 30, the Company has not identified the existence of any indications of significant change in the value of investment properties. Description of valuation techniques, unobservable inputs used in the valuation and descriptive

presentation of the sensitivity of the fair value measurement to changes in unobservable inputs are described in Note 23 of the Annual Financial Statements of Trakcja PRKił for the year 2013. In the I half of 2014 there has been no change in the technique of fair value measurement.

The Company classifies its investment properties at level 3 of fair value measurements hierarchy. In the I half of 2014 there were no transfers between levels 1, 2 and 3.

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

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<i>Unaudited</i>	<i>Modified</i>
<b>As at the beginning of the period (Level 3)</b>	<b>25 699</b>	<b>11 122</b>
Investment property purchase	-	10 429
Transfers from fixed assets	-	4 148
Gains/ (losses) recognized in profit and loss account	-	-
<b>As at the end of the period (Level 3)</b>	<b>25 699</b>	<b>25 699</b>

In the I half of 2013 in the consolidated profit and loss account the Group recognized revaluation gain in the amount of PLN 4,148 thousand presented in other operating income. In the I half of 2014 no gains nor losses were recognized in the consolidated profit and loss account due to changes in investment properties fair value measurement.

### 13. Construction contracts

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Surplus of invoiced revenues over revenues resulting from degree of advancement	20 679	25 138	5 597
Surplus of revenues resulting from degree of advancement over invoiced revenues	20 615	15 293	44 016
Advances paid towards contracts being performed	104	24	2 752
Advances received towards contracts being performed	89	-	9 496
Provision for anticipated losses on contracts	-	-	345
Recognised in balance sheet:			
<i>in current assets</i>			
<b>Construction contracts</b>	<b>20 719</b>	<b>15 317</b>	<b>46 768</b>
<i>in short-term liabilities</i>			
<b>Construction contracts</b>	<b>20 768</b>	<b>25 138</b>	<b>15 438</b>

### 14. Inventory

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Materials	38 003	37 818	34 452
Semi-finished goods and products in progress	1 967	1 227	1 269
Finished goods	144	160	187
Merchandise	10	10	10
Inventory for resale	-	3 590	3 747
<b>Total, gross inventory</b>	<b>40 124</b>	<b>42 805</b>	<b>39 665</b>
<b>Inventory revaluation write-offs</b>	<b>(1 145)</b>	<b>(614)</b>	<b>(1 233)</b>
Materials	36 885	37 231	33 246
Semi-finished goods and products in progress	1 967	1 227	1 269
Finished goods	117	133	160
Merchandise	10	10	10
Inventory for resale	-	3 590	3 747
<b>Total, net inventory</b>	<b>38 979</b>	<b>42 191</b>	<b>38 432</b>

## 15. Trade receivables and other receivables

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Gross trade receivables, before discounting	341 305	419 484	116 585
Discounting of receivables	-	-	-
<b>Total, gross trade receivables</b>	<b>341 305</b>	<b>419 484</b>	<b>116 585</b>
including:			
- receivables from related entities	1 946	4 546	9 566
Budgetary receivables	3 113	-	-
Receivables claimed in court	1 284	1 327	464
Other receivables from third parties	12 534	5 409	11 940
Amounts held	2 406	1 979	2 736
including:			
- amounts held from related entities	691	691	2 152
<b>Total, gross trade and other receivables</b>	<b>360 642</b>	<b>428 198</b>	<b>131 725</b>
Receivables revaluation write-offs	(8 987)	(7 301)	(5 307)
<b>Total</b>	<b>351 655</b>	<b>420 897</b>	<b>126 418</b>

## 16. Share capital

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<b>Unaudited</b>	<b>Modified</b>	<b>Modified</b>
	Par value 0.1 PLN	Par value 0.1 PLN	Par value 0.1 PLN
Series A ordinary shares	1 599 480	1 599 480	1 599 480
Series C ordinary shares	83 180 870	83 180 870	83 180 870
Series D ordinary shares	19 516 280	19 516 280	19 516 280
Series E ordinary shares	25 808 850	25 808 850	25 808 850
Series F ordinary shares	30 000 000	30 000 000	30 000 000
Series G ordinary shares	72 000 000	72 000 000	72 000 000
Series H ordinary shares	179 090 904	179 090 904	-
<b>Total</b>	<b>411 196 384</b>	<b>411 196 384</b>	<b>232 105 480</b>

The Company's share capital equals to PLN 41,119,638.40 and it is divided into 411,196,384 shares entitled to the same amount of votes at the Company's general meeting.

## 17. Interest-bearing bank credits and loans

### Long term interest bearing loans and credits

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Bank loans	6 496	8 950	13 859
- investment loans	6 496	8 950	13 859
Financial lease liabilities	9 584	10 310	8 205
<b>Total</b>	<b>16 080</b>	<b>19 260</b>	<b>22 064</b>

### Short term interest bearing loans and credits

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Bank loans	93 704	103 006	21 909
- investment loans	4 909	4 909	4 909
- revolving loans	83 539	88 200	17 000
- overdraft	5 256	9 897	-
Financial lease liabilities	3 490	3 677	3 218
<b>Total</b>	<b>97 194</b>	<b>106 683</b>	<b>25 127</b>
<b>Total short and long term loans and credits</b>	<b>113 274</b>	<b>125 943</b>	<b>47 191</b>

## 18. Other financial liabilities

In the item entitled "Other financial liabilities" the Company presented a factoring liability in the amount of PLN 52,075 thousand. On May 10, 2013 the Group concluded a factoring contract with a regress. The limit of financing provided in the contract amounts to PLN 70,000 thousand. Factoring interest is calculated based on the variable WIBOR O/N rate increased by the factor's fixed margin.

## 19. Bonds

On January 31, 2013 Trakcja PRKił S.A. issued:

- 29,529 secured bearer bonds of series C of the total nominal value of PLN 29,529 thousand;
- 20,921 unsecured bearer bonds of series E of the total nominal value of PLN 20,921 thousand.

The bonds were offered according to the procedure set out in Art. 9, par. 3 of the Act on bonds. The offering of the Bonds did not constitute a public offering within the meaning of the Act of 29 July 2005 on public offering and the conditions for introducing financial instruments to organized trading system and on public companies.

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

Bonds ageing structure:

	30.06.2014 <i>Unaudited</i>	31.12.2013 <i>Modified</i>	1.01.2013 <i>Modified</i>
Long-term	50 048	49 926	12 913
Short-term	-	-	147 761
<b>Total</b>	<b>50 048</b>	<b>49 926</b>	<b>160 674</b>

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

Liabilities by virtue of the bond issuance on June 30, 2014 amounted to PLN 50,048 thousand.

## 20. Trade liabilities and other liabilities

	30.06.2014 <i>Unaudited</i>	31.12.2013 <i>Modified</i>	1.01.2013 <i>Modified</i>
Trade liabilities, before discounting	244 336	276 877	173 125
Discounting of liabilities	-	-	-
<b>Total, net trade liabilities after discounting</b>	<b>244 336</b>	<b>276 877</b>	<b>173 125</b>
including:			
- liabilities from related entities	2 472	3 252	2 908
Amounts held	1 106	6 563	6 148
Budgetary liabilities	4 549	43 917	13 659
Payroll liabilities	2 222	1 946	1 737
Other liabilities towards third parties	448	513	1 833
<b>Total trade and other liabilities</b>	<b>252 661</b>	<b>329 815</b>	<b>196 502</b>

## 21. Provisions

	<u>Provisions</u>
<b>As at 1.01.2014</b>	<b>12 859</b>
<i>Modified</i>	
Recognized	642
Used	(857)
Reversed	(5 131)
	<hr/>
<b>As at 30.06.2014</b>	<b>7 513</b>
<i>Unaudited</i>	
including	
- long-term	3 160
- short-term	4 353

## 22. Fair value of financial instruments

Classes of financial instruments	As at 30.06.2014		As at 31.12.2013	
	Book value	Fair value	Book value	Fair value
<b>Loans and receivables</b>	<b>391 311</b>	<b>391 311</b>	<b>473 895</b>	<b>473 895</b>
Loans granted	20 790	20 790	19 254	19 254
Trade and other receivables (without budgetary receivables)	348 542	348 542	420 897	420 897
Cash and cash equivalents	21 979	21 979	33 744	33 744
<b>Financial assets held to maturity</b>	<b>12 031</b>	<b>12 031</b>	<b>13 495</b>	<b>13 495</b>
Bank guarantee deposits	12 031	12 031	13 495	13 495
<b>Financial liabilities at fair value through profit or loss</b>	<b>126</b>	<b>126</b>	<b>144</b>	<b>144</b>
Derivatives (liability)	126	126	144	144
<b>Financial liabilities measured at amortised cost</b>	<b>463 509</b>	<b>464 348</b>	<b>496 486</b>	<b>497 010</b>
Loans and credits	113 274	113 274	125 943	125 943
Bonds	50 048	50 887	49 926	50 450
Factoring liability	52 075	52 075	34 718	34 718
Trade and other liabilities (without budgetary payables)	248 112	248 112	285 899	285 899

Due to the short term nature of trade receivables and other receivables, trade payables and other liabilities and cash and cash equivalents, the carrying value of these financial instruments approximates their fair value.

Granted loans and borrowings are based on variable market rates based on WIBOR, hence their fair value approximates carrying value.

The fair value of the bonds was determined based on the price quoted on the Catalyst bond market at the balance sheet date (or close date).

The fair value of IRS (in the amount of PLN 126 thousand, presented in the category of derivative financial instruments) is calculated as the present value of estimated future cash flows based on the observation of yield curves.

## 23. Assets and liabilities measured at fair value

The Company measures the following assets and liabilities in fair value: investment properties and derivatives. During the I half of 2014 there was no change in valuation technique of fair value of the above mentioned assets and liabilities.



Details of the valuation techniques used and the unobservable inputs used in the valuation are described in the annual financial statements of the Company for the year 2013.

Balance sheet elements accounted in fair value	Level 1		Level 2		Level 3	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013	30.06.2014	31.12.2013
Derivatives (liability)	-	-	126	144	-	-
Investment property	-	-	-	-	25 699	25 699

Hierarchy of fair value is as follows:

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

Level 2 – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (using techniques based on actual transactions);

Level 3 – prices not from active markets.

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

## 24. Change of the write downs of assets

	Tangible asstes	Intangible assets	Inventory	Receivables	Total
<b>As at 1.01.2014</b>	-	-	614	7 301	7 915
<i>Modified</i>					
Recognized	-	-	531	1 738	2 269
Used	-	-	-	-	-
Reversed	-	-	-	(52)	(52)
<b>As at 30.06.2014</b>	-	-	1 145	8 987	10 132

## 25. Additional information to cash flow statement

	30.06.2014	31.12.2013	1.01.2013
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Cash in hand	16	98	50
Cash at bank	3 435	6 183	15 887
Other cash - deposits up to 3 months	18 528	27 463	32 826
<b>Total cash and cash equivalents</b>	<b>21 979</b>	<b>33 744</b>	<b>48 763</b>
Cash and cash equivalents excluded from cash flow statement	-	-	-
<b>Cash and cash equivalents presented in cash flow statement</b>	<b>21 979</b>	<b>33 744</b>	<b>48 763</b>
- including restricted cash	984	912	-

Restricted cash includes cash assigned for repayment of interest on bonds.

## 26. Conditional receivables and liabilities

	<b>30.06.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
<b>Contingent receivables</b>			
<b>From related entities due to:</b>	<b>97 424</b>	<b>138 772</b>	<b>123 885</b>
Received guarantees and sureties	86 206	124 254	110 637
Bills of exchange received as collateral	11 218	14 518	13 248
<b>Total contingent receivables</b>	<b>97 424</b>	<b>138 772</b>	<b>123 885</b>
<b>Contingent liabilities</b>			
<b>From related entities due to:</b>	<b>716</b>	<b>716</b>	<b>2 385</b>
Provided guarantees and sureties	716	716	2 385
<b>From other entities due to:</b>	<b>2 230 329</b>	<b>1 867 942</b>	<b>2 687 836</b>
Provided guarantees and sureties	313 533	304 849	385 256
Promissory notes	445 379	493 193	552 934
Mortgages	270 300	165 300	229 800
Assignment of receivables	1 084 058	778 032	1 335 193
Assignment of rights under insurance policy	55 931	71 045	73 265
Security deposits	21 435	15 831	7 195
Other liabilities	39 693	39 692	104 193
<b>Total contingent liabilities</b>	<b>2 231 045</b>	<b>1 868 658</b>	<b>2 690 221</b>

Due to employment contracts executed with the employees and Members of the Management Board, as for June 30, 2014 the Company had contingent receivables in the amount of PLN 1,578 thousand and contingent liabilities in the amount of PLN 7,529 thousand. Furthermore, in case of breach of duties of a Manager as stipulated in the agreement on non-competition, the Manager will pay the Company, without any undue delay or termination notice or demand by the Company, liquidated damages as a counter value of EUR 25,000 in PLN for each case of breach, and counter value of EUR 1,000 in PLN for each day of breach.

Tax settlements and other areas of activity subject to regulations (e.g. matters related to customs or foreign currencies) may be audited by the administrative authorities authorized to impose high fines and sanctions. Lack of reference to the established legal regulations in Poland results in ambiguities and inconsistencies in the prevailing law. Frequent differences of opinion regarding legal interpretation of tax provisions, both within state authorities and between state authorities and companies, result in the emergence of areas of uncertainty and conflict. These phenomena mean that the tax risk in Poland is higher than the risk usually appearing in countries with a more developed fiscal system. Tax settlements may be audited for a period of five years, starting from the end of the year in which the tax was paid. As a result of conducted audits, additional tax liabilities may be added to the Company's previous tax settlements. The Company believes that as at June 30, 2014 adequate provisions were established for the identified and measurable tax risk.

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

**27. Transactions with related entities**

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

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

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
<b>Shareholders:</b>							
COMSA S.A.	1.01.14-30.06.14	-	490	-	-	-	-
	1.01.13-30.06.13	-	-	-	-	-	-
<b>Joint ventures:</b>							
Bahn Technik Wrocław Sp. z o.o.	1.01.14-30.06.14	201	2 179	-	-	-	-
	1.01.13-30.06.13	310	680	-	-	-	-
<b>Subsidiaries:</b>							
PRK7 Nieruchomości Sp. z o.o.	1.01.14-30.06.14	10	-	-	-	-	-
	1.01.13-30.06.13	38	-	-	-	1 000	2
Torprojekt Sp. z o.o.	1.01.14-30.06.14	91	233	-	-	-	-
	1.01.13-30.06.13	70	1 147	-	-	-	-
AB Kauno Tiltai	1.01.14-30.06.14	1 358	10	-	-	-	-
	1.01.13-30.06.13	58	20	-	-	-	-
PEUIM Sp. z o.o.	1.01.14-30.06.14	148	-	370	-	-	-
	1.01.13-30.06.13	2 125	-	456	-	-	-
Dalba Sp. z o.o.	1.01.14-30.06.14	14	-	-	-	-	-
	1.01.13-30.06.13	-	-	-	-	-	-
AB Kauno Tiltai Lenkijos skyrius	1.01.14-30.06.14	-	3	-	-	-	-
	1.01.13-30.06.13	-	-	-	-	-	-
<b>Total</b>	<b>1.01.14-30.06.14</b>	<b>1 823</b>	<b>2 915</b>	<b>370</b>	-	-	-
	<b>1.01.13-30.06.13</b>	<b>2 601</b>	<b>1 847</b>	<b>456</b>	-	<b>1 000</b>	<b>2</b>

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

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
<b>Shareholders:</b>					
COMSA S.A.	30.06.2014	-	-	-	-
	31.12.2013	-	1 084	-	-
	1.01.2013	-	1 199	-	-
<b>Joint ventures:</b>					
Bahn Technik Wrocław Sp. z o.o.	30.06.2014	156	2 343	-	-
	31.12.2013	23	1 434	-	-
	1.01.2013	21	1 110	-	-
<b>Subsidiaries:</b>					
PRK7 Nieruchomości Sp. z o.o.	30.06.2014	696	-	-	-
	31.12.2013	692	-	-	-
	1.01.2013	7 167	6	-	-
Torprojekt Sp. z o.o.	30.06.2014	44	126	-	-
	31.12.2013	4	723	-	-
	1.01.2013	40	590	212	-
AB Kauno Tiltai	30.06.2014	1 569	3	-	-
	31.12.2013	3 305	5	-	-
	1.01.2013	-	3	-	-
PEUiM Sp. z o.o.	30.06.2014	168	-	18 699	-
	31.12.2013	1 212	-	17 130	-
	1.01.2013	4 473	-	16 223	-
Dalba Sp. z o.o.	30.06.2014	5	-	-	-
	31.12.2013	-	-	-	-
	1.01.2013	-	-	-	-
AB Kauno Tiltai Lenkijos skyrius	30.06.2014	-	-	-	-
	31.12.2013	-	7	-	-
	1.01.2013	16	-	-	-
<b>Total</b>	<b>30.06.2014</b>	<b>2 636</b>	<b>2 472</b>	<b>18 699</b>	-
	<b>31.12.2013</b>	<b>5 237</b>	<b>3 252</b>	<b>17 130</b>	-
	<b>1.01.2013</b>	<b>11 718</b>	<b>2 908</b>	<b>16 434</b>	-

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

Trakcja PRKił S.A. has signed with its shareholder: COMSA S.A. an agreement concerning granting Trakcja PRKił S.A. license to the technical know-how, trademark, competence, industry knowledge, expertise in the organizational, operational, commercial, technological field held by COMSA S.A. The agreement was concluded on market terms. Consideration for the provision of these services by COMSA S.A. amounts to PLN 980 thousand per year while the fee is paid semi-annually.

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

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

	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
<b>Remuneration of the Management Board</b>		
Salaries and other current employee benefits	3 132	2 136
Post-employment benefits	-	-
Other long-term benefits	-	-
Benefits due to termination of employment	824	1 038
Share-based payment	-	-
<b>Total</b>	<b>3 956</b>	<b>3 174</b>
	<b>1.01.2014 - 30.06.2014</b>	<b>1.01.2013 - 30.06.2013</b>
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
<b>Remuneration of the Supervisory Board</b>		
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	219	88
<b>Total</b>	<b>219</b>	<b>88</b>

Warsaw, August 29, 2014

*Management Board:*

Roman Przybył  
President of the Board

Marita Szustak  
Vice – president of the Board

Nerijus Eidukevičius  
Vice – president of the Board

Tadeusz Kałdonek  
Vice – president of the Board

*Statement prepared by:*

Elżbieta Okuła  
Chief Accountant



# TRAKCJA CAPITAL GROUP

REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP  
FOR THE PERIOD OF 6 MONTHS ENDED ON JUNE 30, 2014

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

**TABLE OF CONTENTS**

1.	Business activities of the Trakcja Capital Group	3
1.1.	General information about the Group	3
1.2.	Capital Group	3
1.3.	Changes in the Capital Group and effects thereof	5
1.4.	Information about the major entities within the Capital Group	5
1.5.	Employment in the Group	6
1.6.	Products and services	6
1.7.	Key construction contracts	7
1.8.	Group's strategy and development	10
2.	Current and forecasted situation of Trakcja Capital Group	11
2.1.	Description of factors and events that had a significant impact on the financial results for the I half of 2014	11
2.1.1.	Overview of profit and loss statement	11
2.1.2.	Overview of balance sheet	12
2.1.3.	Overview of cash flow statement	13
2.1.4.	Overview of profitability ratios	14
2.2.	Evaluation of financial resources management	15
2.2.1	Liquidity ratios	15
2.2.2	Financing structure ratios	15
2.2.3	Bank credits and loans	17
2.2.4	Hedging transactions	17
2.3.	The position of the Management Board as regards previously published forecasts of the financial results of the Trakcja Capital Group	18
2.4.	Events after the balance sheet date	18
2.5.	Description of factors significant for the Capital Group development	18
2.6.	Information material for the assessment of the personnel assets, financial standing and the financial results of the Group and their changes and for the assessments of the Parent's ability to fulfill its obligations	19
3.	Information about share and shareholders	20
3.1.	Shareholding structure	20
3.2.	Shares of Trakcja PRKiI S.A. held by managing and supervising persons	20
4.	Transactions with related entities	20
5.	Information on the loan or credit guarantee or the guarantee by the issuer or its subsidiary	20
6.	Material litigations and disputes	20
7.	Description of other risks related to the remaining 6 for months of the financial year.	21
	DECLARATIONS OF THE MANAGEMENT BOARD OF TRAKCJA PRKiI S.A.	23



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

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

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

The Group, consisting of Trakcja PRKiL S.A. ("Trakcja PRKiL", "Company", "Parent Company", "Issuer"), and its subsidiaries: PRK 7 Nieruchomości Sp. z o.o. ("PRK 7 Nieruchomości"), Torprojekt Sp. z o.o. ("Torprojekt"), AB Kauno Tiltai ("Kauno Tiltai"), PEUiM. Sp. z o.o. ("PEUiM") and the jointly controlled company Bahn Technik Wrocław Sp. z o.o. ("BTW", "Bahn Technik") classified as joint venture according to IFRS 11 (see note 1.2).

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

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

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

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

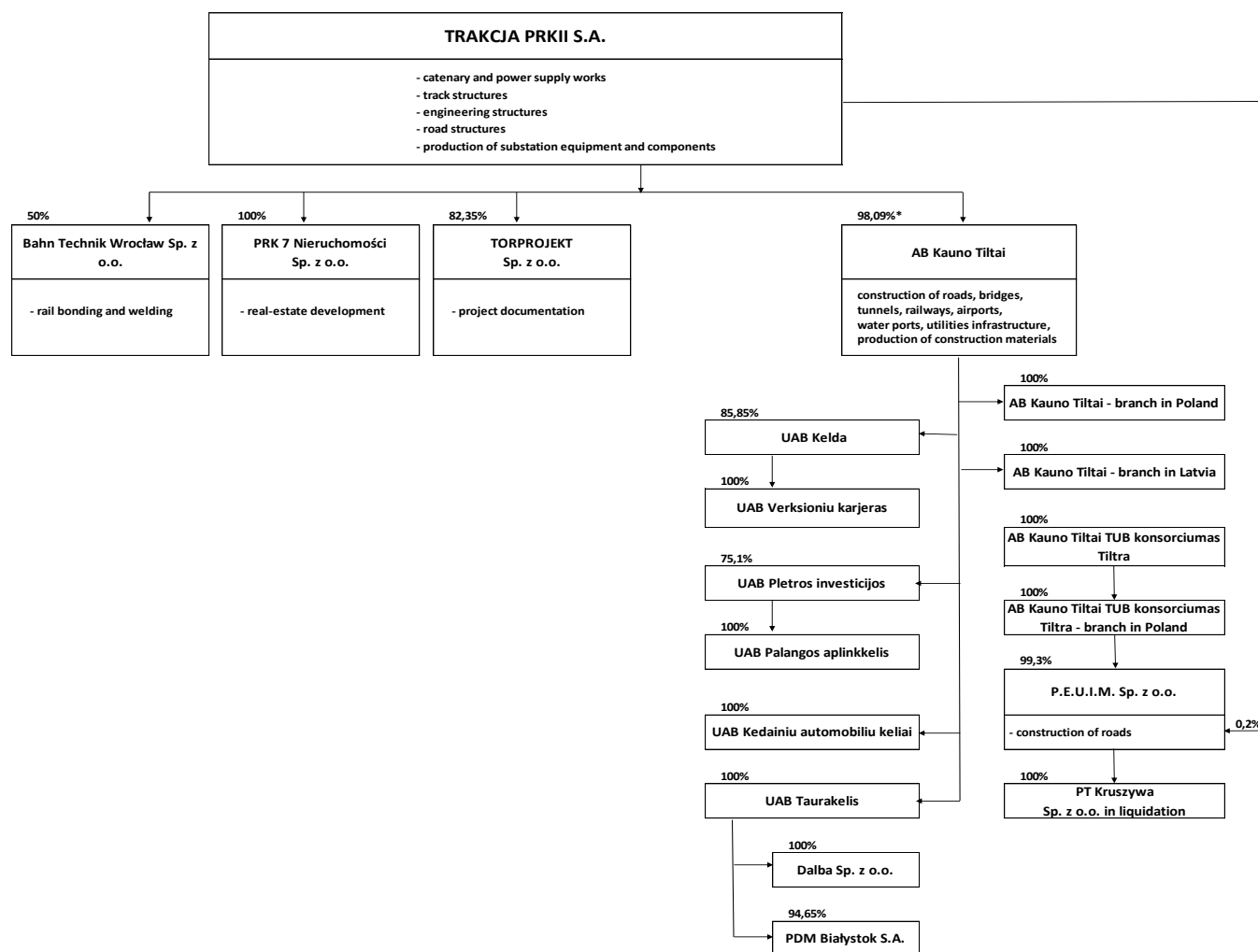
In the road construction sector, the Group specialises in the construction and reconstruction of roads, motorways, bridges, viaducts, airports, ports, and installation of public facilities infrastructure. At the beginning of its activity, i.e. from 1949, Kauno Tiltai, a company belonging to the Group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

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

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

### **1.2. Capital Group**

As for the balance sheet date, i.e. June 30, 2014, the Group's capital structure was as follows:



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

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

In the I half of 2014 there was a change in the Group's structure. With effect from March 6, 2014 the company Brux Sp. z o.o. in liquidation ("Brux") has been deleted from the National Court Register. As at December 31, 2013 and June 30, 2014 the company Brux was not consolidated by the Group.

After the balance sheet date and before the date of report publication, on July 23, 2014, the new subsidiary of AB Kauno Tiltai was created - Sverige AB Kauno Tiltai. The company is based in Sweden. The reporting currency is the Swedish Krona.

After the balance sheet date and before the date of report publication, on August 8, 2014, the new subsidiary of AB Kauno Tiltai was created - UAB "Transporto infrastruktūra". The company is based in Lithuania. The reporting currency is the Lithuanian Litas.

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

Main entities subject to consolidation:

*PRK 7 Nieruchomości Sp. z o.o.*

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

*Torprojekt Sp. z o.o.*

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

*AB Kauno Tiltai*

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

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

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

*Other companies consolidated within the Trakcja Group*

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

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

## 1.5. Employment in the Group

	6 month period ended 30.06.2014
<b>Average employment in the Capital Group during the period:</b>	
Management Board of Parent company	6
Management Boards of subsidiaries	11
Administration	234
Sales department	32
Production division	978
Other employees	718
<b>Total</b>	<b>1 979</b>

	30.06.2014
<b>Employment in the Capital Group as for the balance sheet date:</b>	
Management Board of Parent company	5
Management Boards of subsidiaries	11
Administration	233
Sales department	35
Production division	995
Other employees	760
<b>Total</b>	<b>2 039</b>

## 1.6. Products and services

The scope of activities includes the following services:

### *Comprehensive modernisation of railway lines*

The modernisation of the railway lines includes:

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

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

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

#### *Construction of buildings*

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

- public utility buildings,
- industrial facilities.

#### *Developer's business*

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

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

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

#### *Road infrastructure construction*

Road infrastructure construction encompasses:

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

#### *Other areas of activity*

Other areas of activity encompass:

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

### **1.7. Key construction contracts**

As at June 30, 2014 the Trakcja Group's backlog (adjusted for contracts signed till this report publication) amounted to PLN 2,515 million. In the I half of 2014 Trakcja Group's companies signed construction contracts with a total value of PLN 243 million (including annexes). The current order backlog for 2014 and the value of orders received in the I half of 2014 ensure the Group full capacity utilization in the subsequent quarters of the financial year. Participation in new tenders in the III and IV quarters will allow the Group to secure its backlog for further periods in higher degree.

Trakcja Group conduct mainly road and railway contracts in the Polish and Lithuanian market. Hardware and human potential allows for the implementation of large tens-hundreds of millions of contracts, and therefore the Group focuses less on local projects. The biggest contracts carried out by the Group are presented in the following table:

#### Railway contracts

No	Project name	Compensation for the Consortium (PLN m)*	Scheduled completion date	The Group's role
1.	Design and execution of construction works on the railway line Kraków - Medyka - state border, section Podłęże - Bochnia from km 16,000 to 39,000	624	2015	Consortium Leader (Trakcja PRKiI S.A.)
2.	Modernization of the railway line nr 9, section from km 236,920 to 287,700, during the Local Area Control Center, based in Malbork	814	2014	Consortium Leader (Trakcja PRKiI S.A.)
3.	Design and construction of Łódź Widzew station and part of a railway track Łódź Fabryczna – Łódź Widzew from km 2,250 to km 7,200 within railway traffic control and telecommunication facilities for all section Łódź Fabryczna – Łódź Widzew and modernization of detour line Łódź Widzew – Łódź Chojny – Łódź Kaliska	258	2015	Consortium Leader (Trakcja PRKiI S.A.)
4.	Design and execution of works for task: Technical Depot within Project "Construction of agglomeration rail in Łódź"	55	2014	Consortium Leader (Trakcja PRKiI S.A.)
5.	Modernization of the E 30 railway line, section: Jaworzno Szczakowa - Trzebinia	300	2014	Consortium Leader (Trakcja PRKiI S.A.)
6.	Design and performance of construction Works on the railway line Sędziszów Małopolski – Rzeszów Zachodni	302	2014	Consortium Leader (Trakcja PRKiI S.A.)
7.	The design and performance of construction works on railway tracks: Dębica – Sędziszów Małopolski	416	2014	Consortium Leader (Trakcja PRKiI S.A.)
8.	Modernisation of line no. E59 Wrocław - Lower Silesian Voivodeship Border	518	2015	Consortium Leader (Trakcja PRKiI S.A.)
9.	Revitalization of no. 144 railway line, section Fosowskie – Opole	130	2014	Consortium Leader (Trakcja PRKiI S.A.)
10.	Revitalisation of Strzałki Rail Station	60	2014	Consortium Leader (Trakcja PRKiI S.A.)
11.	Execution of works of traction on the trail Czempin-Mosina and Luboń-Poznań	53	2015	Consortium Leader (Trakcja PRKiI S.A.)
12.	Track works and drainage and medium pressure gas pipeline on the section Pruszków - Grodzisk Mazowiecki - section IV	78	2014	Consortium Leader (Trakcja PRKiI S.A.)
13.	Construction of the Second Track in Kyviškės - Valčiūnai section of Vilnius Bypass on the Corridor IXB	263	2014	Consortium Leader (AB Kauno Tiltai)
14.	Construction of the Double Tracks in section Pavenčiai-Raudėnai	106	2014	Consortium Leader (AB Kauno Tiltai)
15.	Construction of the Double Tracks in section Telšiai-Dūseikiai	104	2014	Consortium Leader (AB Kauno Tiltai)
16.	Construction of the Double Tracks in section Kūlpėnai-Kretinga	122	2014	Consortium Leader (AB Kauno Tiltai)
17.	Reconstruction of "Rail Baltica" railway section Marijampolė - Šeštakai, Part I - Part IV	115	2015	Consortium Leader (AB Kauno Tiltai)
18.	Reconstruction of "Rail Baltica" railway section Marijampolė - Šeštakai, Part V	262	2014	Consortium Leader (AB Kauno Tiltai)
<b>TOTAL</b>		<b>4 579</b>		

\* Amounts are presented without netting of consortium partners

**Civil building contracts**

No	Project name	Compensation for the Consortium (mPLN)*	Scheduled completion date	The Group's role
1.	Construction of a bridge between Juozapavicius str. and Tilto str.	93	2016	Consortium Leader (Kauno Tiltai LT)
2.	Construction and maintenance works of bypass of Palanga (Lithuania)	41	2015	Consortium Leader (UAB „Palangos aplinkkelis”, UAB „Pletros investicijos“)
<b>TOTAL</b>		<b>134</b>		

The following are the most significant contracts signed by Trakcja Group in the I half of 2014:

No	Contract	Amount (m. PLN)	Company	Type of contract
1.	Reconstruction of the railway Warszawa - Łódź, stage 2, section Warszawa Zach.- Skierniewice	78	Trakcja PRKiI S.A.	railway
2.	Trans-European Network Route E77. Reconstruction of road Ryga-Šiauliai-Kaliningradas III stage, section from 160,0 km to 166,5 km.	28	AB Kauno Tiltai	road
3.	Reconstruction of Road P104 Tukums-Auce-Vitiniai(Lithuania border) Section Zebrene - Lielaucē 45,40 - 55,70km	18	AB Kauno Tiltai	road
4.	The construction of two-level junction or parallel roads to eliminate crossing at km 149,500	14	Trakcja PRKiI S.A.	ralway
5.	The construction of two-level junction or parallel roads to eliminate crossing at km 142.850	10	Trakcja PRKiI S.A.	railway
6.	New HVDC Light link between Sweden and Lithuania "NordBalt Submarine Cable Connection"	12	AB Kauno Tiltai	energy
7.	Other contracts	83	-	other
<b>TOTAL</b>		<b>243</b>		

In addition, in the I half of 2014 the Parent Company signed significant annexes extending the term of the agreement and / or changing the net value of the contract:

- 2 annexes to the agreement of November 2, 2010 on the design and execution of construction works on the railway line Krakow - Medic - state border along the Podłęże - Bochnia at km 16.000 - 39.000 of the project "Modernization of the railway line E 30 / CE 30, section Kraków - Rzeszów, stage III". Under the above annexes the parties changed:

- the term of the agreement - until February 11, 2015;
- the total net value of the contract - to the amount of PLN 583,308,849.27.

- annex to the contract for works on the basic linear section Wrocław - Grabiszyn - Jumping and Żmigród - border province Lower Silesia project OPI 7.1 - 4 "Modernization of E 59 railway line, section Wrocław - Poznań, Phase II - Episode Wrocław - border province Lower Silesia "concluded on May 24, 2011. The annex changed the term of the agreement from June 30, 2014 to October 16, 2015 (more information in the current report No. 19/2014).

After the balance sheet date but before the publication of this report, on August 12, 2014, the Company signed an annex to subcontract No. P - 6/2011 on "Design and execution of construction works on the railway line Krakow - Medic – state border on the section Podłęże - Bochnia in km 16,000 – 39,000" in the framework of the project "Modernization railway line E30 / C-E30, section Kraków - Rzeszów, stage III" concluded between Trakcja PRKiI S.A. and Thales Poland Sp. z o.o. on May 16, 2011. Due to the annex the term of the agreement was changed to January 11, 2015.

After the balance sheet date but before the publication of this report, on August 21, 2014, the Company signed an annex to the agreement between Trakcja PRKiI and PKP PLK S.A. on "Design and execution of construction works on the railway line Krakow - Medic - state border section Sędziszów Małopolski - Rzeszów Zachodni at km 133,600 - 154,900". Due to the annex the term of the agreement was changed to April 4, 2015.

#### **Information on selecting the best bid**

The Parent Company Management Board received information from the PKP Polish Railway Lines about the choice of the offer made by Trakcja PRKiI S.A. as the best in the proceedings of public procurement conducted in the restricted tender on "The development of detailed designs and implementation works for LCS Warsaw Okęcie project Polis 7.1-19.1.a.pn. "Modernization of the railway line No. 8, section Warsaw Okęcie - Radom (Lot A, B, F)". The net value of a Trakcja PRKiI offer amounts to PLN 376 million. The period of contract works execution proposed by the Company is 20 months from the commencement date. Trakcja PRKiI reported to the Procurer readiness to start performing the above work. Trakcja PRKiI expects to conclude an agreement with the Procurer.

### **1.8. Group's strategy and development**

Trakcja Group plans in 2014 to take actions aiming at further improvement of the Group's results by applying the following strategic guidelines:

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

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

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

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

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

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

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



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

### 2.1. Description of factors and events that had a significant impact on the financial results for the I half of 2014

#### 2.1.1. Overview of profit and loss statement

<b>CONSOLIDATED PROFIT &amp; LOSS ACCOUNT 1.01.2014-30.06.2014</b>	<b>1.01.2014 - 30.06.2014 Unaudited</b>	<b>1.01.2013 - 30.06.2013 Unaudited, Modified</b>	<b>Change</b>	<b>Change %</b>
Sales revenues	579 076	434 865	144 211	33%
Cost of goods sold	(529 154)	(401 619)	(127 535)	32%
<b>Gross profit on sales</b>	<b>49 922</b>	<b>33 246</b>	<b>16 676</b>	<b>50%</b>
Cost of sales, marketing and distribution costs	(3 210)	(3 411)	201	-6%
General and administrative costs	(25 936)	(25 727)	(209)	1%
Other operating revenues	836	11 210	-10 374	-93%
Other operating costs	(1 292)	(2 080)	788	-38%
Share of profit of entities consolidated using equity method	293	112	181	162%
<b>Operating profit</b>	<b>20 613</b>	<b>13 350</b>	<b>7 263</b>	<b>54%</b>
Financial revenues	1 135	2 062	(927)	-45%
Financial costs	(9 749)	(11 736)	1 987	-17%
<b>Gross profit</b>	<b>12 000</b>	<b>3 676</b>	<b>8 324</b>	<b>226%</b>
Income tax	(2 867)	(3 489)	622	-18%
<b>Net profit for the period</b>	<b>9 133</b>	<b>187</b>	<b>8 946</b>	<b>4784%</b>

Modified\*) Details have been presented in the note 10.2 in the condensed consolidated financial statements for the period of 6 months ended June 30, 2014.

In the I half of the year 2014, the Trakcja Capital Group generated revenue in the amount of PLN 579,076 thousand, which is an increase by 33 per cent in comparison with the analogous period of the preceding year. Cost of goods sold in the period of 6 months in 2014 increased by 32 per cent and amounted to PLN 529,154 thousand.

The gross profit on sale of the Group in the I half of the year 2014 reached PLN 49,922 thousand and was 50 per cent higher than the profit in the comparable period. The gross margin on sale in the discussed period was 8.6 per cent, whereas in the analogous period 2013 reached 7.6 per cent.

The sales, marketing and distribution costs amounted to PLN 3,210 thousand and were lower by 6 per cent in relation to the comparable period. The general and administrative costs amounted to PLN 25,936 thousand and increased by 1 per cent in comparison with the I half of the preceding year.

Other operating revenue for the period of 6 months in 2014 amounted to PLN 836 thousand and decreased by PLN 10,374 thousand due to the recognition in the I half of 2013 years of income from redemption of liability of PLN 6,225 thousand and the fair value adjustment of investment property in the amount of PLN 3,478 thousand. Other operating costs amounted to PLN 1,292 thousand and were lower by PLN 788 thousand in relation to the costs of the I half of the preceding year.

Profit on operating activities was PLN 20,613 thousand and was higher by 54 per cent, i.e. by PLN 7,263 thousand in comparison with the analogous period in the preceding year, in which the profit amounted to PLN 13,350 thousand.

In the I half of the year 2014 the Group reached financial revenue in the amount of PLN 1,135 thousand, which was lower by 45 per cent in comparison with the analogous period of the preceding year. The financial costs in the discussed period decreased by 17 per cent and equaled PLN 9,749 thousand.

In the discussed period, the Group recorded gross profit in the amount of PLN 12,000 thousand, which was higher by 8,324 thousand, i.e. by 226 per cent in relation to the I half of the preceding year 2013.

The income tax in the I half of the year 2014 was PLN 2,867 thousand and was lower in comparison with the analogous period in the preceding year by PLN 622 thousand.

Net profit of the Group for the I half of the year 2014 was PLN 9,133 thousand and was higher by PLN 8 946 thousand in relation to the result of the I half of the preceding year 2013.

In the I half of the year 2014, net profit margin reached the level of 1.6 per cent, while in the I half of the year 2013 reached 0.0 per cent.

## 2.1.2. Overview of balance sheet

The following table presents main items of the consolidated balance sheet of the Trakcja Group as for June 30, 2014 in comparison with the balance as for December 31, 2013:

CONSOLIDATED ASSETS	30.06.2014 Unaudited	31.12.2013 Modified	Change	Change %
<b>Non-current assets</b>	<b>723 910</b>	<b>721 155</b>	<b>2 755</b>	<b>0%</b>
Tangible non-current assets	181 497	180 115	1 382	1%
Intangible assets	60 083	60 161	(78)	0%
Goodwill from consolidation	375 755	375 217	538	0%
Investment properties	30 642	30 324	318	1%
Investments in entities accounted using equity method	8 937	8 644	293	3%
Investments in other units	24	24	-	0%
Other financial assets	25 636	25 665	(29)	0%
Deferred tax assets	39 225	39 114	111	0%
Prepayments	2 111	1 891	220	12%
<b>Current assets</b>	<b>902 265</b>	<b>915 648</b>	<b>(13 383)</b>	<b>-1%</b>
Inventory	113 573	103 155	10 418	10%
Trade and other receivables	586 016	630 431	(44 415)	-7%
Income tax receivables	1 313	-	1 313	-
Other financial assets	27 906	35 095	(7 189)	-20%
Cash and cash equivalents	77 726	83 599	(5 873)	-7%
Prepayments	9 534	8 487	1 047	12%
Construction contracts	86 197	54 881	31 316	57%
<b>Total assets</b>	<b>1 626 175</b>	<b>1 636 803</b>	<b>(10 628)</b>	<b>-1%</b>

Modified\*) Details have been presented in the note 10.2 in the condensed consolidated financial statements for the period of 6 months ended June 30, 2014.

As for June 30, 2014, the total assets of the Trakcja Group was PLN 1,626,175 thousand and were lower by PLN 10,628 thousand in comparison with the balance as at the end of 2013, which constitutes decrease by 1 per cent.

Non-current assets increased slightly and amounted to PLN 723,910 thousand. The greatest increase of the non-current assets concerned the fixed assets, the value of which increased by PLN 1,382 thousand, i.e. by 1 per cent in comparison with the balance as at the end of 2013.

As for June 30, 2014, the current assets reached PLN 902,265 thousand and decreased by PLN 13,383 thousand, which constitutes decrease by 2 per cent in comparison with the balance as for December 31, 2013. The said decrease mainly results from the decrease of value of trade receivables by the amount of PLN 44,415 thousand. The level of cash and cash equivalents decreased by PLN 5,873 thousand. The value of inventories also increased by 10 per cent i.e. PLN 10,418 thousand in comparison with the balance as for December 31, 2013.

CONSOLIDATED LIABILITIES	30.06.2014 Unaudited	31.12.2013 Modified	Change	Change %
<b>Equity attributable to shareholders of parent entity</b>	<b>638 860</b>	<b>630 551</b>	<b>8 309</b>	<b>1%</b>
Share capital	41 120	41 120	-	0%
Share premium	310 102	310 102	-	0%
Revaluation reserve	6 801	6 811	(10)	0%
Other capital reserves	262 719	226 686	36 033	16%
Retained earnings	9 024	37 483	(28 459)	-76%
Foreign exchange differences on translation of foreign	9 094	8 349	745	9%
<b>Non-controlling interests</b>	<b>1 846</b>	<b>2 407</b>	<b>(561)</b>	<b>-23%</b>
<b>Total equity</b>	<b>640 706</b>	<b>632 958</b>	<b>7 748</b>	<b>1%</b>
<b>Total liabilities</b>	<b>985 469</b>	<b>1 003 845</b>	<b>(18 376)</b>	<b>-2%</b>
<b>Long-term liabilities</b>	<b>189 647</b>	<b>113 664</b>	<b>75 983</b>	<b>67%</b>
Interest-bearing bank loans and	89 243	19 523	69 720	357%
Bonds	50 048	49 926	122	0%
Provisions	6 132	4 226	1 906	45%
Liabilities due to employee benefits	10 598	10 318	280	3%
Provision for deferred tax	30 195	29 101	1 094	4%
Detrivative financial instruments	3 431	570	2 861	502%
<b>Short-term liabilities</b>	<b>795 822</b>	<b>890 181</b>	<b>(94 359)</b>	<b>-11%</b>
Interest-bearing bank loans and	129 864	167 125	(37 261)	-22%
Trade and other liabilities	491 436	504 169	(12 733)	-3%
Provisions	7 684	18 923	(11 239)	-59%
Liabilities due to employee benefits	11 661	9 352	2 309	25%
Income tax liabilities	-	4 527	(4 527)	-100%
Detrivative financial instruments	126	-	126	-
Other financial liabilities	52 075	34 718	17 357	50%
Accruals	240	68	172	253%
Construction contracts	101 482	150 467	(48 985)	-33%
Advances received towards flats	1 254	832	422	51%
<b>Total equity and liabilities</b>	<b>1 626 175</b>	<b>1 636 803</b>	<b>(10 628)</b>	<b>-1%</b>

Modified\*) Details have been presented in the note 10.2 in the condensed consolidated financial statements for the period of 6 months ended June 30, 2014.

In the I half of the year 2014 the value of equity increased by PLN 7,748 thousand in comparison with the balance as for December 31, 2013 and reached PLN 640,706 thousand. This increase was mainly due to the net profit PLN 9 133 thousand for the half year period 2014.

As for June 30, 2014, the non-current liabilities amounted to PLN 189,647 thousand and increased by PLN 75,983 thousand in comparison with the balance as at the end of 2013. The said increase was mainly due to the increase of the long-term interest bearing credits and loans, whose value increased by PLN 69,720 thousand and reached PLN 89,243 thousand.

As for June 30, 2014, the current liabilities reached the value of PLN 795,822 thousand and decreased by PLN 94 359 thousand, i.e. by 11 per cent in comparison to the balance as at the end of the preceding year. The said decrease mainly results from the decrease in the balance construction contracts by PLN 48,985 thousand and amounted PLN 101,482 thousand. The Group recorded an decrease in interest-bearing bank loans and borrowings by PLN 37,261 thousand to the level of PLN 129,864 thousand.

### 2.1.3. Overview of cash flow statement

The following table presents main items of the consolidated cash flow statement of the Trakcja Group for the periods ended on June 30, 2014 and June 30, 2013:

CONSOLIDATED CASH FLOW STATEMENT	1.01.2014 - 30.06.2014 Unaudited	1.01.2013 - 30.06.2013 Unaudited, Modified	Change	Change %
<b>Cash at start of period</b>	<b>83 599</b>	<b>121 143</b>	<b>(37 544)</b>	<b>-31%</b>
Net cash flows from operating activities	(34 643)	(183 196)	<b>148 553</b>	<b>-81%</b>
Net cash flows from investing activities	2 171	2 360	<b>(189)</b>	<b>-8%</b>
Net cash flows from financial activities	24 224	111 462	<b>(87 238)</b>	<b>-78%</b>
<b>Total net cash flows</b>	<b>(8 248)</b>	<b>(69 374)</b>	<b>61 126</b>	<b>-88%</b>
<b>Cash at end of period</b>	<b>75 351</b>	<b>51 769</b>	<b>23 582</b>	<b>46%</b>

In the I half of the year 2014, the net cash flow from operating activities was negative and amounted to PLN 34,643 thousand. The balance decreased in relation to the analogous period of the preceding year by PLN 148,553 thousand. In the I half of the year 2014 the net cash flow from investment activities showed positive balance in the amount of PLN 2,171 thousand, whereas in the comparable period in 2013 the positive balance of cash flows from investing activities was PLN 2,360 thousand.

The net cash flow from financial activities in the I half of the year 2014 was positive and amounted to PLN 24,224 thousand. The balance decreased in comparison with the balance as at the end of the I half of the year 2013 by PLN 87,238 thousand. The said decrease was caused by the decrease in proceeds from borrowings of PLN 102,359 thousand.

The Group commenced the year 2014 with cash balance in the amount of PLN 83,599 thousand and ended the I half of the year 2014 with cash balance in the amount of PLN 75,351 thousand. The total net cash flows in the discussed period were negative and amounted to PLN 8,248 thousand.

#### 2.1.4. Overview of profitability ratios

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

Profitability ratios in the I half of 2014 compared to the I half of 2013 (except EBITDA margin) reported an increase. Gross margin on sale increased by 1 pp in the I half of the year 2014 in relation to the analogous period of the preceding year and amounted to 8.6 per cent. The operating profit increased by depreciation and amortization amounted to PLN 32,409 thousand and increased by PLN 7,745 thousand in comparison with the I half of the year 2013. EBITDA profit margin decreased by 0.1 pp and reached the level of 5.6 per cent. The operating profit margin increased by 0.5 pp and reached the level of 3.6 per cent. The net profit margin in the discussed period reached 1.6 per cent and was higher by 1.6 pp than the margin in the comparable period.

The return on equity - ROE increased by 2.8 pp in relation to the comparable period and amounted to 2.9 per cent. The return on assets - ROA amounted to 1.1 percent and was higher by 1.1 pp than the analogous return in the preceding year.

PROFITABILITY RATIOS	1.01.2014 - 30.06.2014 Unaudited	1.01.2013 - 30.06.2013 Unaudited, Modified	Change	Change %
Gross sales profit margin	8,6%	7,6%	1,0%	13,08%
EBITDA	32 409	24 664	7 745	31,40%
EBITDA profit margin	5,6%	5,7%	-0,1%	-1,76%
Operating profit margin	3,6%	3,1%	0,5%	16,29%
Net profit margin	1,6%	0,0%	1,6%	3716,04%
Return on equity (ROE)	2,9%	0,1%	2,8%	4190,00%
Return on assets (ROA)	1,1%	0,0%	1,1%	4343,75%

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

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

EBITDA = operating profit + depreciation and amortization

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

Operating profit margin = operating profit / revenue on sales

Net profit margin = net profit / revenue on sales

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

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

## 2.2. Evaluation of financial resources management

As at the end of the I half of the year 2014 the Trakcja Group had cash and cash equivalents in the amount of PLN 77,726 thousand with total debt due to credits, loans, leasing and factoring in the amount of PLN 321,230 thousand. The Group maintains a safe level of both external financing and financial liquidity.

### 2.2.1 Liquidity ratios

Working capital in the Trakcja Group as for June 30, 2014 amounted to PLN 106,443 thousand and was higher by PLN 80,976 thousand than the working capital as at the end of 2013.

The liquidity ratios as at June 30, 2014 are at a satisfactory level, providing a stable paying situation of the Group.

The current liquidity ratio as at the end of the I half of 2014 was 1,13 and increased by 0.10 pp in relation to the end of the previous year. The quick liquidity ratio was 0.87 and increased by 0.03 pp in comparison with the ratio as at the end of 2013. The cash liquidity ratio informs that the Group would be able to immediately repay 10 per cent of its current liabilities.

LIQUIDITY RATIOS	30.06.2014 Unaudited	31.12.2013 Modified	Change	Change %
Working capital	106 443	25 467	80 976	3,18
Current ratio	1,13	1,03	0,10	0,10
Quick ratio	0,87	0,84	0,03	0,04
Cash ratio	0,10	0,09	0,01	0,11

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

Working capital = current assets - current liabilities

Current liquidity ratio = current assets / current liabilities

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

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

### 2.2.2 Financing structure ratios

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

All financing structure ratios stayed at a similar level in the I half of the year 2014 as the ratios as at the end of the preceding year.

Equity to assets ratio increased in the period of 6 months ended on June 30, 2014 to the level of 0.39. The value of the equity to non-current assets ratio increased from 0.87 as at the end of 2013 to 0.88 as for June 30, 2014. In the I half of the year 2014 the total debt ratio equaled to 0.61. The foregoing means that the company's assets are financed by third party financing sources - liabilities - in 61 per cent. The debt to equity ratio also decreased from 1.60 as at the end of 2013 to 1.55 in the I half of the year 2014.

FINANCING STRUCTURE RATIOS	30.06.2014 Unaudited	31.12.2013 Modified	Change
Equity to assets ratio	0,39	0,39	0,00
Equity to non-current assets ratio	0,88	0,87	0,01
Debt ratio	0,61	0,61	0,00
Debt to equity ratio	1,55	1,60	-0,05

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

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

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

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

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

Trakcja Group established well-developed relationship with banks and insurance companies in order to provide an appropriate level of funding and bank and insurance guarantees needed to conduct the planned construction contracts.

As at June 30, 2014 the Group's companies had external debt from loans, credits and other sources of finance, including finance leases, which amounted to PLN 321,230 thousand. The Group's working capital demand is highest in II and III quarters which is characteristic in the construction industry. At the balance sheet date, the Group's entities have available credit limit overdraft and revolving credit limit to the total amount of PLN 191,896 thousand, which secures the Trakcja Group's stability of financing the current contract activity.

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

In the II quarter of the year 2014 the Parent company signed two annexes extending until April 30, 2015 the term of the loan for revolving loans in a credit account issued by Alior Bank S.A. By virtue of the above the total amount of credit obtained was PLN 95,000 thousand.

The Group has signed an agreement in respect of guarantees: bid bond (deposits), advance payment refund guarantees, performance of the trade agreement, removal of defects during the warranty period, as well as to ensure timely payment of claims. The total value of the available guarantee lines as at June 30, 2014 amounted to PLN 681 million (PLN 628 million on December 31, 2013, an increase of 8.5 per cent). As at June 30, 2014 its use was PLN 542 million. The Group's guarantee funding availability, which is necessary for the acquisition and execution of contracts, is the Group's important competitive advantage on the infrastructure construction market.

### 2.2.3 Bank credits and loans

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

Company name	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	45 000	PLN	30-04-2015	WIBOR O/N + margin	31 000
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	50 000	PLN	30-04-2015	WIBOR 1M + margin	50 000
Trakcja PRKiI S.A.	Bank Zachodni WBK S.A.	investment	18 000	PLN	31-03-2017	WIBOR 1M + margin	9 769
Trakcja PRKiI S.A.	Bank Zachodni WBK S.A.	investment	7 200	PLN	30-09-2015	WIBOR 1M + margin	1 636
Trakcja PRKiI S.A.	mBank S.A.	overdraft	10 000	PLN	29-01-2015	WIBOR O/N + margin	5 256
Trakcja PRKiI S.A.	mBank S.A.	working capital	12 000	PLN	31-12-2014	WIBOR 1M + margin	2 539
PRK 7 Nieruchomości Sp. z o.o.	Bank Ochrony Środowiska S.A.	investment	16 995	PLN	31-10-2014	EURIBOR 3M + margin	14 419
AB Kauno Tiltai	Nordea Dnb	working capital	18 000	EUR	31-08-2015	EURIBOR 3M + margin	60 447
AB Kauno Tiltai	Nordea Dnb	investment	5 685	EUR	01-04-2016	EURIBOR 3M + margin	13 240
AB Kauno Tiltai	Nordea Dnb	investment	6 668	EUR	01-04-2015	EURIBOR 3M + margin	8 266
AB Kauno Tiltai	Nordea Dnb	investment	2 285	EUR	01-04-2015	EURIBOR 3M + margin	4 072
AB Kauno Tiltai	Litewski Urząd Skarbowy	Tax loan	906	LTL	25-11-2014	non-interest bearing	455
AB Kauno Tiltai	Litewski Urząd Skarbowy	Tax loan	2 649	LTL	25-09-2014	non-interest bearing	795
UAB Palangos aplinkkelis	SEB Bank	purpose loan for the contract	8 500	EUR	31-05-2028	EURIBOR 3M + margin	-
UAB Pletros investicijos	Šiaulių plentas UAB	loan from other entities	200	LTL	31-12-2028	fixed interest	2
<b>Total</b>							<b>201 896</b>

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

### 2.2.4 Hedging transactions

#### Cash flow hedging instruments

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

As at June 30, 2014, the effect of the measurement of the above derivative on long-term liabilities amounted to PLN 3,431 thousand and the effect on other comprehensive income was negative and amounted to PLN 2,562 thousand.

In the I half of the year 2014, the Group assessed the effectiveness of hedging of the concluded IRS transaction. During the reporting period, hedging interest rate was highly effective, therefore no ineffective part due to IRS measurement was identified and recognised in the profit and loss statement.

### Other derivatives

During the reporting period, the Group only concluded interest rate swaps (IRS). The Group did not conclude derivative contracts for speculative purposes. The Group did not apply hedge accounting during the reporting periods covered by the financial statements in regard to the aforementioned IRS, therefore these were measured at fair value through the profit and loss statement. In the I half of the year 2014, the measurement of financial instruments presented in the profit and loss statement was negative and amounted to PLN 340 thousand, whereas in the I half of the year 2013 the effect was negative as well and equaled to PLN 39 thousand.

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

The Trakcja Capital Group did not publish any financial forecasts for 2014.

### 2.4. Events after the balance sheet date

Between the balance sheet date and the date of publishing these condensed consolidated financial statements, i.e. August 29, 2014 the following material events took place:

On August 12, 2014, the Company signed an annex to subcontract No. P - 6/2011 on "Design and execution of construction works on the railway line Krakow - Medic – state border on the section Podłęże - Bochnia in km 16,000 – 39,000" in the framework of the project "Modernization railway line E30 / C-E30, section Kraków - Rzeszów, stage III" concluded between Trakcja PRKiI S.A. and Thales Poland Sp. z o.o. on May 16, 2011. Due to the annex the term of the agreement was changed to January 11, 2015.

On August 21, 2014, the Company signed an annex to the agreement between Trakcja PRKiI and PKP PLK S.A. on "Design and execution of construction works on the railway line Krakow - Medic - state border section Sędziszów Małopolski - Rzeszów Zachodni at km 133,600 - 154,900". Due to the annex the term of the agreement was changed to April 4, 2015.

### 2.5. Description of factors significant for the Capital Group development

Key factors, which in the opinion of the Management Board have or will have in the nearest future impact on the Group's activities, have been presented below. The information on the significant proceedings and disputes against the companies of the Group as well as penalties is contained in point 6 of this report.

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

- The ability to win new construction contracts, which on account of the profile of the Group's activities is determined by the level of expenditures on rail and tram infrastructure in Poland.
- The accuracy of estimating the costs of implemented projects as it exerts direct impact on decisions regarding the strategy of participating in tenders, the valuation of contracts for tenders and as a result the margins generated on the contracts. The accuracy of estimating cost budgets for contracts is related, in turn, to the methodological and external factors, such as changes in prices of materials and services rendered by subcontractors.
- The Central Bank's monetary policy reflected in the changes in interest rates. For the purpose of financing planned acquisitions, the Group may apply for bank loans and therefore it may incur financial expenses determined by the level of interest rates.
- The timeliness in repayment of liabilities by customers. A customers' default may lead to the financial liquidity deterioration.

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

- The procedure for awarding public procurements, in particular, the amendment to the Act on the Public Procurement Law,



- The public-private partnership, in particular, the Act on Public-Private Partnership (Journal of Laws of the 6 June 2005),
- The financing of railway and road infrastructure,
- The environmental protection in the scope of implementation of individual projects, in particular, the Act on the Environmental Protection Law,
- The property development activities of PRK 7 Nieruchomości Sp. z o.o., the regulations governing buying and selling real properties, in particular the Civil Code, Act on the Real Estate Management of August 21, 1997 (Journal of Laws, 04.261.263), Act on the Acquisition of Real Estate by Foreigners of March 24, 1920 (Journal of Laws, 04.167.1758), Act on the Ownership of Premises of June 24, 1994 (Journal of Laws, 00.80.903), the Act of September 16, 2011 on the protection of the rights of the purchaser of a dwelling or a detached house and provisions related zoning and building.

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

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

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

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

### 3. INFORMATION ABOUT SHARE AND SHAREHOLDERS

#### 3.1. Shareholding structure

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

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

From the date of publication of the last quarterly report, i.e. May 12, 2014, there was no changes in the shareholding ownership structure of the Issuer.

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

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

First name and surname	Function	Number of shares	Shares nominal	
			value	% in the shareholding
Maciej Radziwiłł	Chairman of the Supervisory Board	280	28	0,000%
Roman Przybył	President of the Management Board	10 000	1 000	0,002%
Marita Szustak	Vice President of the Management Board	500 000	50 000	0,122%
Nerijus Eidukevičius	Vice President of the Management Board	2 626 167	262 617	0,639%

From the date of publication of the last quarterly report, i.e. from May 12, 2014, no changes occurred in the number of the Company's shares held by its managing and supervising persons.

### 4. TRANSACTIONS WITH RELATED ENTITIES

In the I half of 2014, all transactions entered by the Group were concluded on market terms. Information on the Group's transactions with the affiliated entities have been presented in Note 47 to the enclosed condensed consolidated report.

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

In the I half of year 2014, the Issuer and its subsidiaries did not grant loan guarantees or other guarantee to a single entity or its subsidiaries in the total value of such securities and guarantees equal to at least 10% of the equity of the Issuer.

### 6. MATERIAL LITIGATIONS AND DISPUTES

From January 1 to June 30, 2014, the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authorities, whose value, individual or in total, exceeded 10 per cent of the equity of Trakcja PRKiI S.A., except for the proceedings specified below.

## Court litigations

### *Shareholder vs. Trakcja PRKił S.A. case*

During the I quarter of 2014, the court proceedings concerning the action brought by a Company's shareholder – a natural person – against the Company to declare invalidity of the resolutions passed on December 12, 2012 at an Extraordinary General Meeting of Shareholders, i.e.: (i) resolution no. 4 on the issue of bonds convertible into H series shares and (ii) resolution no. 5 on a conditional increase of the share capital, disapplication of the pre-emption rights of previous shareholders and the change of the company's charter were discontinued. This was announced by the Company in the Current Report No. 6/2014 of March 10, 2014, in which, by referring to the Current Report No. 1/2013 of January 3, 2013, the Company notified that on March 10, 2014, it received a decision of the Regional Court in Warsaw on the discontinuation of the above-mentioned proceedings.

### *Case concerning the submission of a claim against Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. within a bankruptcy arrangement in Warsaw.*

On December 19, 2013, Trakcja S.A. in Warsaw merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in Wrocław. As a result, Trakcja PRKił S.A. is the successor in title of both companies. Due to the declaration of bankruptcy of Przedsiębiorstwo Napraw Infrastruktury sp. z o.o. (hereinafter referred to as "PNI") with the possibility of entering into an arrangement by the District Court for Warsaw – Praga Północ in Warsaw, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław filed a claim at a bankruptcy court on November 20, 2012. The claim concerned a debt of PLN 55,664,100.89 in total, including the principal, interest due until the bankruptcy declaration date and contractual penalties charged.

According to the Company's knowledge, a list of claims against PNI has been drawn up. Claims of Trakcja PRKił S.A. were recognised at PLN 10,569,163.16, including PLN 10,174,533.87 for unpaid invoices and PLN 294,632.29 for default interest. The court refused to recognise claims for contractual penalties and other claims amounting, in total, to PLN 44,956,834.34. The Company does not accept the refusal to recognise the above-mentioned claims, therefore it appealed against the refusal to recognise these claims to the judge-commissioner. The case is pending.

## Disputes

### *Case concerning the payment of a contractual penalty to Trakcja PRKił S.A. by PKP Polskie Linie Kolejowe S.A.*

Due to the performance by the Consortium, i.e.: Trakcja PRKił S.A., Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., ZUE S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o., Zakład Robót Komunikacyjnych DOM w Poznaniu Sp. z o.o. for PKP Polskie Linie Kolejowe S.A. having its registered office in Warsaw (hereinafter referred to as the "Ordering Party") of the Contract of May 31, 2010 on the construction works aimed at a comprehensive modernisation of the station and routes in the area of LCS Działdowo as part of POIiŚ 7.1-41: "Modernisation of E-65/C-E 65 railway line at Warszawa-Gdynia-LCS Działdowo area section" project ("Contract"), of which the Company informed in its Current Report No. 9/2010 of May 31, 2010, on June 21, 2013, the Company, acting on behalf of the Consortium, issued, in accordance with the provisions of the Contract, a debit note of PLN 95,297,116.95 for a contractual penalty imposed on the Ordering Party for the Ordering Party's failure to meet the deadline for the handover of the construction site. In the I quarter of 2014, the Company and PKP Polskie Linie Kolejowe S.A. took action to settle the dispute by way of negotiations. The negotiations are pending and, according to the issuer, they will conclude with a settlement between the Parties.

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

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

- Risk of growing competition,
- Risk of changes in the strategy of the Polish and Lithuanian authorities with regard to the infrastructure modernisation over the next few years.
- Risk of being dependent on key customers,

- Risk of potential loss of subcontractors and potential rise in prices of services rendered by subcontractors,
- Risk associated with the lack of qualified employees,
- Currency risk,
- Risk associated with the volatility of prices for materials,
- Risk associated with the joint and several liability of members of construction consortiums and with the liability for subcontractors,
- Risk related to any potential penalties for failure to complete contracts,
- Risk of underestimating the costs of projects,
- Risk related to performance of construction contracts,
- Risk associated with the conditions and procedures for awarding tenders,
- Risk of growing portfolio of overdue receivables,
- Risk related to financial agreements,
- Liquidity risk,
- Risk related to strategy implementation.

*Warsaw, August 29, 2014*

*The Management Board:*

Roman Przybył

President of the Board

Marita Szustak

Vice – president of the Board

Stefan Dziedziul

Vice – president of the Board

Nerijus Eidukevičius

Vice – president of the Board

Jarosław Tomaszewski

Vice – president of the Board

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

According to our best knowledge, the interim condensed consolidated financial statement for the period of 6 months ended on June 30, 2014 and comparable data and interim condensed financial statement for the period of 6 months ended on June 30, 2014 and comparable data were prepared in accordance with the binding accounting principles and reflect in a true, reliable and clear manner the property and financial situation as well as profit and loss of the Capital Group and the Company Trakcja PRKił S.A. respectively, and the business report of the Trakcja Capital Group contains true information on the development and achievements as well as situation of the Company and Capital Group, including description of the basic risks and threats;

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

*Warsaw, August 29, 2014*

*The Management Board:*

Roman Przybył

President of the Board

Marita Szustak

Vice – president of the Board

Stefan Dziedziul

Vice – president of the Board

Nerijus Eidukevičius

Vice – president of the Board

Jarosław Tomaszewski

Vice – president of the Board

**AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED  
INTERIM SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014**

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

We have reviewed the attached condensed interim separate financial statements of Trakcja PRKiI S.A. with its registered office in Warsaw at Złota 59 including a balance sheet prepared as of 30 June 2014, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement for the period from 1 January 2014 to 30 June 2014 and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

.....

Radosław Kuboszek  
Key certified auditor  
conducting the review  
No. 90029

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

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

Warsaw, 29 August 2014

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

**AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2014**

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

We have reviewed the attached condensed interim consolidated financial statements of the Trakcja PRKiI Capital Group with Trakcja PRKiI SA. having its registered office in Warsaw, at Żłota 59 as the Parent Company, including a consolidated balance sheet prepared as of 30 June 2014, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the period from 1 January 2014 to 30 June 2014 and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

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



.....  
Radosław Kuboszek  
Key certified auditor  
conducting the review  
No. 90029

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

.....  
Radosław Kuboszek of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 29 August 2014

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