TRAKCJA
CAPITAL GROUP

CONSOLIDATED ANNUAL REPORT

OF TRAKCJA CAPITAL GROUP

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2014

published pursuant to Article 82.2.3 of the Regulation of the Minister of Finance dated February 19, 2009 on the current and periodic disclosures to be made by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2014, item 133).

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

Warsaw, on March 16, 2015.

Content of the Annual Report:

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

II. The Management Report on the Activities of Trakcja Capital Group in 2014

III. Management Board's Statement

IV. Consolidated annual financial statements of Trakcja Capital Group for the financial year ended on December 31, 2014

V. Certified Auditor's Opinion and Report

Dear All,

The Management Board of Trakcja PRKiI S.A. thanks the shareholders, investors and all institutions for the demonstrated trust. At the same time, we have the honour to present you with the Annual Report and we encourage you to become acquainted with the results of the operations of the Company and Trakcja Group in 2014.

The past year was an important period in the activity of Trakcja Capital Group on the difficult infrastructural construction market. Investment outlays for modernization of roads and railway in Poland, which have been increasing for several years, resulted in growing interest of companies from the entire Europe thus the market, on which Trakcja Group operates, one of the most competitive markets. Therefore, last year we further optimized our processes to improve the Group's operation. In addition, we prepared to participate in new tenders, the total value of which within the new EU perspective up to 2020 will significantly exceed the funds spent during the last seven years.

We dedicated 2014 to organizing the Group's structure. We implemented numerous organizational changes and we took advantage of the scale effect to the maximum, in effect of the merger with the subsidiary, PRKiI S.A. in Wrocław. We also performed restructuring of PEUiM in Białystok, and after a period difficult for the road sector this brought effects in the form of positive financial results. Modern solutions implemented in companies contributed to an increase of the operational efficiency through a more effective management of contracts and the performance potential. Along with increasing the scale of operations, we worked out a more efficient financing model, which results in a decreasing demand for working capital. In consequence, during the past year we significantly decreased the debt due to credits and bonds issued in 2013, improved the Company's profitability, and generated one of the best results in the Group's history. In addition, in December 2014 we finalized the shares split process at the ratio of 8 to 1. The improvement of the financial situation of the subsidiary, AB Kauno Tiltai, allowed payment of an advance dividend for the Parent Company for 2014.

Currently, Trakcja PRKiI S.A. and Trakcja Group are opening a new chapter in their operations. We set strategic goals for the Group up to 2020, assuming strengthening our position in the rail sector and larger activity in the road sector.

The Group's key tasks include diversification of activities to new markets. In 2014, the Group substantially expanded the scope of its activity in Lithuania, significantly increasing revenues due to performance of rail contracts. In addition, the Group is interested in further expansion of activity on Scandinavian markets. In 2014, the subsidiary, AB Kauno Tiltai acquired the first contract in Sweden.

Being an effectively operating organization with strong financial foundations, we are well prepared for the increase of competition. According to numerous announcements, the coming years will be a period of record infrastructure spendings. With the growing margin pressure, having at our disposal professional staff, modern equipment and trust of financial institutions, we have appropriate potential to further strengthen our position on the infrastructural construction market.

We would like to thank our employees for engagement and determination in achieving goals, in particular for effective implementation of organizational changes. We would like to thank our clients and contractors for excellent cooperation, looking forward to its continuation and development in the coming years. We hope that results presented in this Report will strengthen the trust of shareholders and all contractors in Trakcja PRKiI S.A. and Trakcja Group.

With kind regards,

Jarosław Tomaszewski

Acting President of the Management Board

Trakcja PRKiI S.A.

TRAKCJA
CAPITAL GROUP

MANAGEMENT REPORT

ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP

IN 2014

This Report on the Activities of Trakcja Capital Group in 2014 was prepared pursuant to Articles 91 and 92 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information to be published by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent (Journal of Laws 2014, item 133).

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Figures provided in this Report on the Activities of the Group are presented in thousand Polish zloty, unless explicitly stated otherwise. Financial information in this report were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union, published and applicable as at December 31, 2014. We would also like to emphasize forward-looking statements (e.g. may, will, expect, assess, estimate), because they are based on certain assumptions subject to risk and uncertainty. Therefore, the Group is not liable for such information.

1. ORGANIZATION OF TRAKCJA GROUP

1.1. General Information about the Group

Trakcja Capital Group ("Trakcja Group", "Group") is one of the leading entities on the Polish and Lithuanian market of rail, tram and road building infrastructures.

The main subject of the Group's activity is comprehensive performance of works relating to a widely understood rail and road infrastructure with the use of a modern machine park. The Group specializes in providing engineering/construction services in the following scope: designing, construction and modernization of rail and tram lines, rail and tram electro-traction network, power generation lines, as well as construction of bridges, viaducts, piers, overpasses, tunnels, underpasses, retaining walls, roads and accompanying elements of rail and road infrastructure. In addition, Trakcja Group may perform general construction works in the scope of preparing the building site, constructing and modernizing buildings, as well as building installations and finishing works. The important part of the 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 over fifty years, the companies within the Capital Group have been implementing complete power installations of medium as well as high voltage, both in new and modernised and also renovated railway power facilities. The Group modernised several thousand kilometres of railway lines and provided power to over 10,000 kilometres of railway lines. We have also constructed and modernised over 450 traction substations and 380 track section cabins.

In the road construction segment, the Group specializes in the construction and alteration of roads, motorways, bridges, viaducts, airports, water ports and installations of public utility infrastructure. From the beginning of its activities, i.e. from 1949, a group company AB Kauno Tiltai belonging to the Group and being the largest company in the infrastructure construction sector among the Baltic countries, built over 100 bridges and viaducts and was responsible for the construction and reconstruction of many roads in the entire Lithuania.

The main attribute of the Group is the possibility of comprehensive performance of investments using own potential in all sectors (rail works, engineering facilities, overhead contact lines), possessed order backlog and:

- having at our disposal qualified management and client-oriented team;
- significant experience in professional performance and coordination of works executed in a timely manner according to highest European standards;
- possessing a modern machine park.

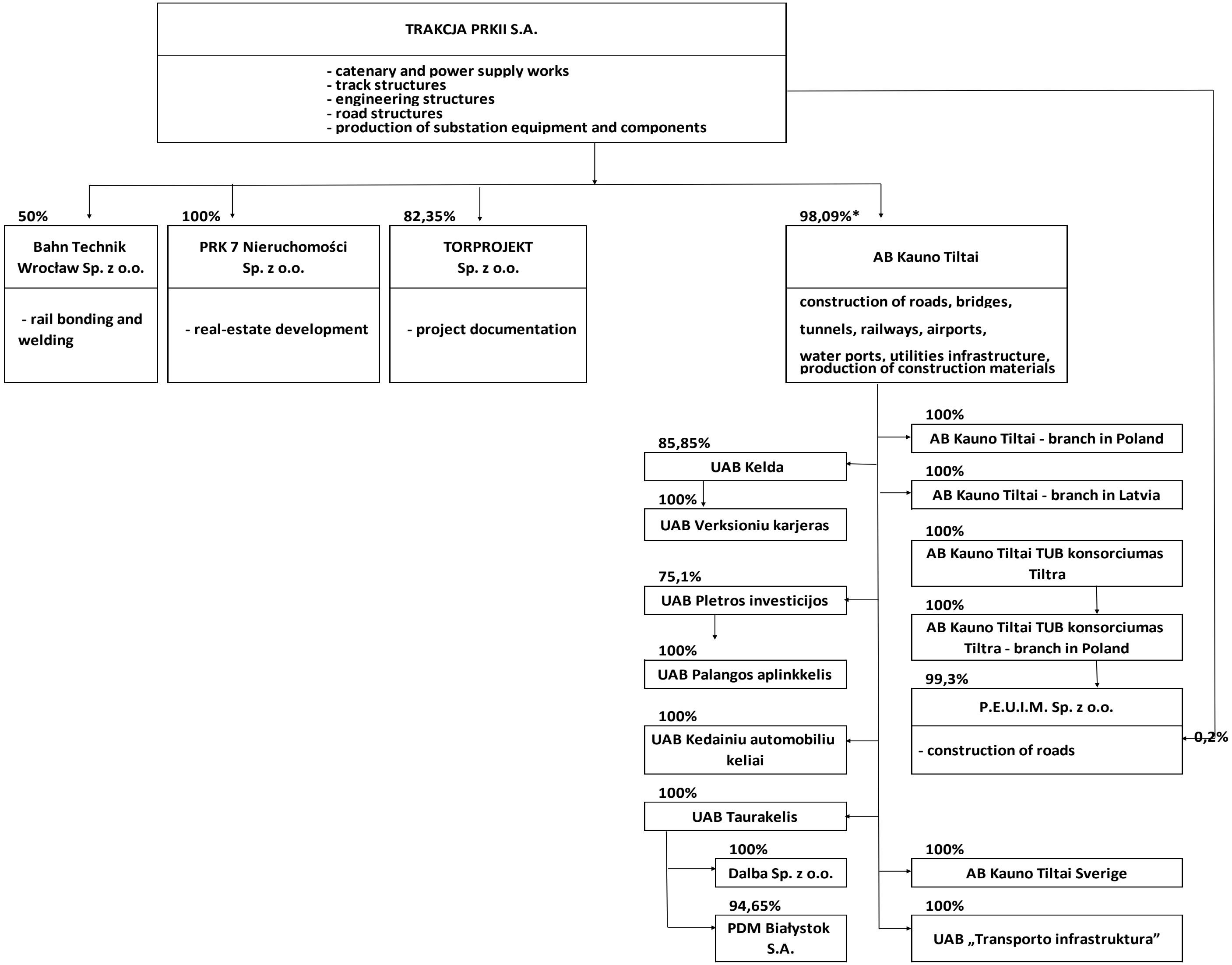
The Group has substantial competitive advantage over other companies, and the Group's position on the market of services relating to the rail and road infrastructure in Poland and in Baltic States is grounded and stable.

The long-term market practice allowed the Capital Group to develop techniques for managing projects, which allow us to complete projects within the agreed schedules and simultaneously maintain the required quality and meet special requirements of the investors.

Many of the projects implemented by the Group are financed, inter alia, with the funds granted by the European Union and the Polish government for the implementation of which it is required to apply the European procedures, which additionally influences the quality of the services provided and products manufactured by Group.

1.2. Structure of the Capital Group

Trakcja PRKiI is the Parent Company of Trakcja Group. The Group's composition and structure as of December 31, 2014 are presented in the diagram below.



**) Trakcja PRKiI holds a total of 98.09% shares (96.84% directly and 1.25%) indirectly) in the share capital of the subsidiary, AB Kauno Tiltai. Indirect shares result from acquisition of own shares by the subsidiary.*

1.3. Description of the organization of Trakcja Capital Group, indicating entities subject to consolidation

As at December 31, 2014, the Group is composed of the Parent Company, Trakcja PRKiI, subsidiaries, and Bahn Technik Wrocław Sp. z o.o. classified as a joint venture pursuant to IFRS 11.

Entities subject to full consolidation method:

PRK 7 Nieruchomości Sp. z o.o.

PRK 7 Nieruchomości Sp. z o.o. runs with a broadly defined real estate development business and has a track record of several successful investments, which include, among others: Lazurowe Osiedle residential project in Warsaw - stage I and II, and the investment at Oliwska in Warsaw, as well as constructing three multi-family residential buildings in Warsaw at ul. Pełczyńskiego. Currently, the Company is executing an investment involving the construction of three terraced houses at ul. Oliwska in Warsaw.

Torprojekt Sp. z o.o.

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

The AB Kauno Tiltai Group

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.

AB Kauno Tiltai with its registered office in Kaunas is a subsidiary in relation to the Parent Company, Trakcja PRKiI, and at the same time the parent company in the AB Kauno Tiltai Group.

The AB Kauno Tiltai Group is composed of the following entities:

- UAB Kelda – a subsidiary with registered seat in Vievis (Lithuania); the company's subsidiary entity is:
    - UAB Verksioniu karjeras (Lithuania);
- UAB Taurakelis – a subsidiary, UAB Taurakelis based in Tauragé (Lithuania) is a parent company in the UAB Taurakelis Group and it does not prepare consolidated financial statements; the Group is consolidated at Trakcja Group level. In addition, the UAB Taurakelis Group includes the following entities:
    - Dalba Sp. z o.o. - a subsidiary, company with its registered office in Białystok;
    - PDM Białystok S.A. - a subsidiary, company with its registered office in Białystok;
- UAB Kedainiu Automobiliu Keliai – a subsidiary, company with its registered office in Kédainiai (Lithuania);
- UAB Verksioniu karjeras - a subsidiary, company with its registered office in Bagoteliu K (Lithuania);
- TUB Konsorciumas Tiltra - a subsidiary, company with its registered office in Kaunas (Lithuania);
- UAB Pletros investicijos – a subsidiary, company with its registered office in Vilnius (Lithuania);
- UAB Palangos aplinkkelis - a subsidiary, company with its registered office in Vilnius (Lithuania) established to execute contracts within the scope of public and private partnership;
- AB Kauno Tiltai Branch in Poland – a subsidiary, company with its registered office in Vilnius (Lithuania);
- AB Kauno Tiltai Branch in Latvia – a subsidiary, company with its registered office in Rezekne (Latvia);
- AB Kauno Tiltai Sverige - a subsidiary, company with its registered office in Malmo (Sweden);

- UAB “Transporto infrastruktura” - a subsidiary, company with its registered office in Vilnius (Lithuania);
- Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. ("PEUIM") - a subsidiary in the road construction sector, the business activities of which are concentrated in North-Eastern Poland. PEUIM was established in 1960 in Białystok. PEUIM specialises in the construction of roads, pavements, installation of signalling and safety devices to secure the roads. Moreover, the Company manufactures bituminous mass, concrete and other building materials.

Entities subject to consolidation pursuant to the equity method:

Bahn Technik Wrocław Sp. z o.o.

Trakcja PRKiI is the owner of 50% of the share capital of Bahn Technik Wrocław Sp. z o.o ("BTW"). The remaining 50% of shares is held by Leonhard Weiss GmbH & Co, a company incorporated under German law, with its registered office in Göppingen. The Group exercises joint control over BTW and classifies the company as a joint arrangement pursuant to IFRS 11.

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

The parent company of the highest level is a Spanish company, COMSA SA, which prepares consolidated financial statements also covering Trakcja Group.

1.4. Changes in the Group structure

In the period from January 01, 2014 to December 31, 2014 the following changes occurred in the structure of Trakcja Group.

As of March 06, 2014, Brux Sp. z o.o. in liquidation ("Brux") was removed from the National Court Register. The Group stopped consolidation of the company as of December 31, 2012 in connection with the resolution on the commencement of liquidation undertaken by the Extraordinary Shareholders Meeting of Brux on December 21, 2012. The Company was liquidated for economic reasons due to the expiry of conducted business.

On July 23, 2014, a new subsidiary of AB Kauno Tiltai was established - AB Kauno Tiltai Sverige. The Company's seat is in Sweden. The reporting currency is the Swedish crown.

On August 08, 2014, a new subsidiary of AB Kauno Tiltai was established - UAB "Transporto Infrastruktura". The Company's seat is in Lithuania. The reporting currency is the Lithuanian litas.

The reasons for the establishment of the aforementioned companies were to develop the business of Trakcja Group.

In Q4 2014, PT Kruszywa Sp. z o.o. in liquidation ("PTK") was removed from the National Court Register. The Group stopped consolidation of the company as of December 31, 2013 in connection with the resolution on the commencement of liquidation undertaken by the Extraordinary Shareholders Meeting of PTK on December 19, 2014. The Company was liquidated for economic reasons due to the expiry of conducted business.

1.5. Employment in the Group

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Average employment in the Capital Group during the period:		
Management Board of Parent entity	5	5
Management Boards of subsidiaries	14	16
Administration	232	232
Sales department	33	51
Production division	981	1 026
Other employees	737	758
Total	**2 002**	**2 088**

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Employment in the Capital Group as at 31.12.2014		
Management Board of Parent entity	5	6
Management Boards of subsidiaries	11	13
Administration	231	239
Sales department	87	50
Production division	918	959
Other employees	676	705
Total	**1 928**	**1 972**

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

In 2014, changes took place concerning the rules of management of Trakcja PRKiI and Trakcja Group.

The Parent Company has implemented, maintains and constantly improved three systems for managing the organization within the scope of the quality of performed services, care for the environment, and high OHS standards pursuant to EU and national laws. Creating the Integrated Management System, the Company applies the requirements of norms such as:

- ISO 9001:2008 Quality Management System;
- ISO 14001:2005 Environmental Management System;
- BS OHSAS 18001:2007 OHS Management System.

As a result of the merger of Trakcja S.A. and PRKiI S.A., numerous organizational changes took place in 2014. These changes were also noticeable in management systems, which both companies implemented and maintained over the years. The decision about the certification in 2014 of the system for managing the occupational health and safety in former Trakcja S.A. resulted in all resources, tools and activities being aimed at promoting a safe work environment and its constant improvement. In addition, it became a priority to combine management systems operating in both companies prior to the integration. In terms of meeting the requirements of ISO 14001 and OHSAS 18001, developed and implemented were procedures and instructions concerning, amongst others: identification of environmental aspects, identification and monitoring legal requirements and assessment of their compliance with the Issuer's operations, operational steering relating to environmental protection, identification of threats, assessment of professional risk and OHS supervisory measures. The process of constant improvement of the merged entity was planned according to the operational goals and in 2014 many activities were undertaken with the aim to improve the functioning of the Parent Company in the view of the changes, to which the company was subject.

In 2014, the Group conducted an external audit in regard to supervision over management systems. Check and certification covered a system for managing occupational health and safety implemented in the organization pursuant to the norm OHSAS 18001, and the system for quality management and environmental management. Within the scope of confirming the compliance of conducted activities with applicable norms and guidelines, the inspection covered all Offices and Teams, the Issuer's organizational units, and selected building sites.

In evidence of meeting the requirements of the norm BS OHSAS 18001: 2007 the Issuer received a certificate issued by TÜV SÜD in Poznań, and the external audit was completed with a positive score. In addition, current ISO 9001 and ISO 14001 certificates were updated in connection with the change of the name of the organization.

Certificates of Trakcja PRKiI S.A. issued by TÜV SÜD in Poznań, and validity dates:

- ISO 9001 and ISO 14001 certificate valid to July 22, 2015;

- OHSAS 18001:2007 certificate valid to November 29, 2016.

In addition, the management of Trakcja Group takes place through managing operational segments.

Previously applied names of operational segments presented in the financial statements are as follows: road segment (segment consisting of companies in the AB Kauno Group excluding PEUiM Sp. z o.o., PDM Białystok S.A. and Dalba Sp. z o.o.) and civil engineering segment (segment consisting of Trakcja PRKiI companies; Torprojekt Sp. z o.o., BTW Sp. z o.o., PEUiM Sp. z o.o., PDM Białystok S.A. and Dalba Sp. z o.o.). Due to the fact that in 2014 the share of railway works performed by companies within the road segment increased significantly in comparison with previous years, the Issuer's Management Board decided to change the name of the road segment to "Construction, Engineering and Concession Agreements – Baltic States" as this will allow the readers of the financial statements to better differentiate between activities conducted in the segments. At the same time, the Issuer's Management Board decided to further specify the name of the "civil engineering segment" by changing this name to "Civil Engineering – Poland".

Detailed information about operational segments is presented in Note 12 of the 2014 Consolidated Financial Statements.

2. ACTIVITY OF TRAKCJA GROUP

2.1. Basic products, goods and services

The scope of activities in Trakcja Group includes the following areas of services:

Comprehensive modernisation of railway lines

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 the drainage system;
- disassembly of the traction network, including removal of old foundations and construction of a new traction network with the use of modern methods for positioning foundations by applying the piling method and with the use of trains for stream replacement of the network,
- renovation or complete alteration 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),
- alteration of the railway traffic control system,
- preparation of construction sites,
- construction of complete buildings or parts thereof,
- execution of construction installations, civil engineering works for tracks and roads,
- construction of overhead and underground power distribution lines,
- construction of railway and tram electric traction network and hydraulic engineering.

Moreover, where necessary, the Group cooperates with specialized companies mainly in the area of works related to the protection of railway traffic and telecommunications.

Within the framework of supplementary activities, we produce different types of industrial devices used for modernisation of rail infrastructure, including: 15 kV traction and mobile switchgear centres, 3 kV, 1.5 kV, 1 kV, 0.8 kV direct current switchgear centres, control cabinets, local and remote control devices, network isolating switches, steel constructions for the installation of substations and energetics, selected traction network equipment.

Building construction

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

- multifamily housing development,
- public utility buildings,
- industrial facilities.

Developer activities

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

- construction,
- services related to real estate on its own account,
- leasing of real estate on its own account.

PRK 7 Nieruchomości Sp. z o.o. develops apartment complexes and houses on land previously purchased from Trakcja PRKiI (former PRK-7 SA.) The company implements developer projects in cooperation with the General Contractor.

Construction of road infrastructure

The construction of road infrastructure includes:

- roads - construction and reconstruction of motorways, roads, streets, squares and car parks; services related to road maintenance in winter and summer,
- bridges - construction and reconstruction of bridges, viaducts and flyovers,
- tunnels - construction and reconstruction of tunnels,
- airports - construction and reconstruction of airport runways and landing areas, air plane parks and special purpose spaces.

Other areas of activities

Other scope of activities includes:

- construction of quays - construction and alteration of ports and harbours and other quayside structures,
- engineering infrastructure - construction of water supply systems, sewage systems, water installations and water treatment plants, road and street lighting as well as repair installation and services of light signals,
- construction of sports facilities,
- production of building materials: asphalt concrete, bitumen emulsions including polymer modified, concrete, reinforced concrete products; extraction and processing of building materials.

The portfolio of construction contracts of Trakcja Group as at December 31, 2014 (adjusted by contracts signed up to the date of publishing these statements) amounted to PLN 1,259 million. In 2014, Trakcja Group companies signed construction contracts with the total value of PLN 557 million (with annexes). The current order book in the Group as at 2015 and the value of purchase orders obtained during 2014 ensure full use of the production capacity in the next financial year. Participation in new tenders in 2015 will allow the Group to secure its contracts portfolio for future periods to an even bigger extent.

Trakcja Group mainly performs rail and road contracts on Polish and Lithuanian markets. The equipment and human potential of the Group allows significant contracts valued at several dozen to several hundred thousand, therefore the Group's concentration on local investments is smaller.

2.2. Sales structure

The sales structure by type of works, production, and other activity is presented in the table below:

	2014		2013	
	value	%	value	%
Railway works	1 210 212	75,6%	664 699	52,2%
Road works	213 984	13,4%	362 693	28,5%
Bridge works	49 890	3,1%	116 792	9,2%
Tramway works	-	0,0%	-	0,0%
Production	55 764	3,5%	54 527	4,3%
Other areas of activity	71 824	4,4%	75 511	5,8%
Total revenues from sales	**1 601 674**	**100%**	**1 274 222**	**100%**

2.3. Markets and sourcing

The sale of the Group's products in 2014 was conducted on Polish and Lithuanian markets.

The geographical structure of revenues from sales in 2014 and 2013 is presented in the table below:

	2014		2013	
	value	%	value	%
Domestic	1 035 790	64,7%	811 295	63,7%
Abroad	565 884	35,3%	462 926	36,3%
Total revenues from sales	**1 601 674**	**100%**	**1 274 222**	**100%**

The Group's main recipient is PKP Polskie Linie Kolejowe S.A. ("PKP PLK S.A."); other clients include, amongst others: the Lithuania Road Administration, and the Lithuanian Railways.

The structure of recipients indicates that we are dependent from PKP PLK S.A., which held 35.2% of interest in our revenues from sales in 2014. Since the establishment of the Group, it has been the major customer in the structure of our recipients. The second largest customer, the Lithuanian Railways, had a share of 17.4% in the structure of consolidated revenues in the same year. None of the aforementioned contractors is formally related to our Group.

The structure of suppliers during the analysed period indicates that our Group is not dependant on any of the contractors. In 2014, the share of any suppliers has not reached 10% of the value of purchases of materials and services of the Group. The share of the largest supplier in the total purchases of materials and services of the Group amounted to approximately 5.7%. The second largest supplier had a share of approximately 4.1% in the total purchases of materials and services, and the subsequent supplier had a share of 3.5%.

2.4. Events in 2014

Important events in 2014 years	**CR**
Significant agreements - construction contracts	
Conclusion of an annex to contract No. U/07C/012/13 dated 15 April 2013 between the Trakcja PRKiI SA and FCC Construcción SA. Due to the annex, the value of the contract was increased by the net amount of 35,352,344.00 zł. Deadline for completion of the works covered by thecontract was agreed on September 21, 2015.	CR 4/2014
Conclusion of the agreement between the Company and PKP PLK S.A. for performance of the contract involving the execution of complementary design and construction work on the railway station Łódź Widzew from km 4.100 to km 7.2000 railway line No. 17 The net value of the contract: PLN 15,469,388.14 (PLN 19,027,347.41 gross). The agreement is valid until September 30, 2015.	CR 5/2014
Conclusion of 2 annexes to the Agreement No. 90/132/281/00/11000838/10/I/I on the design and execution of construction works on the railway line Krakow - Medic - state border Podłęże - Bochnia in km 16,000 - 39,000 Project "Modernization of railway line 30/CE 30, episode Krakow - Rzeszow, stage III". According to the Ist annex the term of the agreement has been extended until February 11, 2015. According to the second annex the total net value of the contract was changed to the amount of PLN 583,308,849.27.	CR 7/2014
Conclusion of the contract with Przedsiębiorstwo Mechaniczno-Torowe Sp. z o.o. The subject of a contract is the performance of railway works and drainage. The value of the contract: 77 710 780.90 zł. Deadline: December 31, 2014.	CR 9/2014
Signing an annex to the agreement dated 30 June 2014 between Trakcja PRKiI as Leader Consortium and PKP PLK to "the basic line construction works at the section Wrocław - Grabiszyn - Skowowa and Żmigród - border of Silesia Voivodeship within the framework of the Infrastructure and Environment Programme 7.1 - 4 "Modernisation of the railway line E 59 at the section Wrocław - Poznań, Stage 2 - section Wrocław - border of Silesia Voivodeship ("Agreement"), executed on May 24, 2011. Annex changes the date of the contract as at October 16, 2015.	CR 19/2014
Signing an annex to the contract No. P-6/2011 on "Design and execution of construction works on the railway line Kraków - Medyka - country border on section Podłęże - Bochnia 16,000 - 39,000 km" in the framework of the project "Modernization of the railway line E30 / C-E30 episode Kraków - Rzeszów, stage III" concluded between Trakcja PRKiI and Thales Poland Sp. z o.o on May 16, 2011. The Annex changes the date of execution of the agreement on January 11, 2015.	CR 20/2014
Signing an annex to the agreement between Trakcja PRKiI and PKP PLK SA on "Design and execution of construction works on the railway line Kraków - Medyka - country border in section Sedziszów Małopolski - Rzeszów Zachodni km 133.600 - 154.900." The Annex changes the date of execution of the agreement on April 4, 2015.	CR 21/2014
Signing of the agreement between the consortium led by the Parent Company and PKP PLK SA concerning the additional works on contract LCS Malbork project POLiŚ 7.1 - 1.3 "Modernization of the railway line E65 / CE 65 section Warsaw-Gdynia area Iława LCS, LCS Malbork." The net value of the contract: PLN 20,982,861.00.	CR 22/2014
Signing an annex to the contract for the execution of works to modernize line 9 on the section from km 236.920 to km 287.700 covered by the Local Control Center located in Malbork project: 7.1-1.3 POLiŚ "Modernization of E65/CE 65 on the Warsaw - Gdynia - the area Iława LCS, LCS Malbork" concluded between the consortium led by the parent Company and PKP PLK SA. The annex changes the date for completion of works on December 31, 2014.	CR 23/2014
Provide information about the conclusion of negotiations between the Purchaser PKP PLK SA and the Company in the proceedings to award a contract for:"Performance of additional works such as designing and constructing the collision-free two-level crossing of the railway line no. 17 and Niciarniana street in Łódź, under the OPIE 7.1 – 24.2 "Improvement of the Łódź Railway Junction (TEN-t), stage 1, Łódź Widzew – Łódź Fabryczna section"".	CR 34/2014
Signing between Trakcja PRKiI S.A. and PKP PLK S.A. as representative of the Consortium annex to the material agreement for the construction works of the modernisation of line no. 9 on the section from 236,920 km to 287,700 km covered in the area of the Local Control Centre in Malbork, under the Project: No. OPIE 7.1-1.3 "Modernisation of railway line no. E 65/ CE 65 on the section Warsaw – Gdynia – Local Control Centre in Iława, Local Control Centre in Malbork" ("Agreement") concluded on May 27, 2011. Under the annex was changed time limit for completion of the works until June 30, 2015.	CR 38/2014
Signing between Trakcja PRKiI S.A. and PKP PLK S.A. as representative of the Consortium annex to the material agreement for designing and performing construction works on the railway line Cracow – Medyka – the national border along the section Dębica – Sędziszów Małopolski from 111,500 km to 133,600 km under the Project "Modernisation of the railway line E 30/C-E 30, section Cracow – Rzeszów, stage 3"; Tender 2.2 ("Agreement") concluded on December 16, 2010. Under the annex was changed time limit for completion of the works until July 8, 2015.	CR 39/2014

Significant contracts - other	
Conclusion by the subsidiary AB Kauno Tiltai, an annex to the credit agreement with the banks, Nordea Bank Finland Plc branch in Lithuania and AB DNB bankas. The subject of the annex is an extension of the credit line granted to AB Kauno Tiltai till 31 August 2015. The limit of the credit line is 18 000 thousand Euro.	CR 1/2014
Registration at the Lithuanian Register of Mortgage lien on receivables owned subsidiary of AB Kauno Tiltai to the pledgee: Nordea Bank Finland Plc and AB DNB bankas. The total value of the gross receivables pledged as collateral is LTL 197,762,364.77.	CR 2/2014
The Company concluded with Alior Bank SA contracts with a total value of PLN 145,000,000 , including two annexes to significant agreements with a total value of PLN 95,000,000 and an agrrement for a guaratnee limit.	CR 12/2014
The conclusion by the subsidiary AB Kauno Tiltai, an annex to the loan agreement with the banks, Nordea Bank AB and AB DNB bankas. Annex changes both the amount and the terms of individual banking products covered by the agreement.	CR 25/2014
Signing of the annexe to the material recourse factoring agreement dated May 10, 2013 between Company and mFactoring S.A. (former: BRE Bank S.A.). The Annexe introduces the consolidated text of the Agreement and the funding ceiling as provided for in the agreement has been changed and currently is PLN 100,000,000.00.	CR 35/2014

Changes in the Group	
Removal from the Register of Companies the previous subsidiary of the Issuer Brux Sp. z o.o. in liquidation	CR 8/2014

Changes in the composition of the Board of the Parent Company	
On May 15, 2014 the Supervisory Board of the Company adopted a resolution appointing the members of the Company's Management Board to a new three-year term as of the Company's General Meeting of Shareholders: Mr. Roman Przybył, (who shall act as the President of the Company's Management Board), Mr. Nerijus Eidukevičius, Ms. Marita Szustak, Mr. Jarosław Tomaszewski, Mr. Stefan Dziedziul (who shall act as the Vice-President of the Company's Management Board).	CR 14/2014
Receiving on December 31. 2014 from Mr Stefan Dziedziul a representation of resignation from the position of Member of the Management Board (due to retirement) and from Ms Marita Szustak.	CR 37/2014

The process of consolidation of shares	
Convening on October 16, 2014, the Extraordinary General Meeting of Trakcja PRKiI SA. Publication of draft resolutions.	CR 24/2014
The Management Board of Trakcja PRKiI announced the resolutions adopted at the Extraordinary Shareholders General Meeting held on October 16, 2014	CR 26/2014
The Management Board of Trakcja PRKiI published a list of shareholders holding at least 5% of the total number of votes at the Extraordinary Shareholders General Meeting of the Company held on October 16, 2014.	CR 27/2014
District Court. St. Warsaw, XII Commercial Division of the National Court Register registered amendments to the Articles of the Company arising from the content of the resolutions of the Extraordinary shareholders General Meeting dated 10.16.2014 r. The changes were also registered in KRS.	CR 29/2014
Determination of the reference date was on December 5, 2014 and to request a suspension of trading in connection with the reverse stock split of the Company.	CR 30/2014
The Management Board of Giełda Papierów Wartościowych w Warszawie S.A. through its resolution no. 1311/2014 of November 24, 2014 decided to suspend the trading of the Company's shares as from December 1, 2014 to December 12 2014 (inclusive) in connection with conducting a procedure of a reverse split of the Company's shares.	CR 31/2014
The adoption of Association by the Supervisory Board.	CR 32/2014
The Management Board of Krajowy Depozyt Papierów Wartościowych S.A. on December 1, 2014 undertook the Resolution no. 1015/2014, in which December 12, 2014 was defined as the date of exchanging 411,196,384 shares of the Company with the nominal value of PLN 0.10 each designated with the code PLTRKPL00014, to 51,399,548 shares of the Company with the nominal value of PLN 0.80	CR 33/2014

Other	
Redemption of the District Court in Warsaw proceedings brought by a shareholder of the Company - the individual - against the Company for the invalidity of the resolutions adopted on December 12, 2012, at the Extraordinary General Meeting of the Company.	CR 6/2014
The company has published a report on the valuation of shares of Ab Kauno Tiltai prepared by the auditor in connection with the terms of issue of bearer bonds series C.	CR 10/2014
on May 15, 2014 the Supervisory Board of the Company decided to appoint Deloitte Polska spółka z ograniczoną odpowiedzialnością sp. k. as the entity authorised to examine Company’s separate and consolidated annual financial statements for 2014.	CR 13/2014
Convening for the day December 6, 2014 Annual General Meeting of Trakcja PRKiI S.A.	CR 15/2014
Publication of draft resolutions Extraordinary General Meeting.	CR 16/2014
Publication of the content of the resolutions adopted at the Annual General Meeting of the Company held on june 12, 2014	CR 17/2014
The transfer of the list of shareholders holding at least 5% of the total number of votes at the General Meeting of the Company held on June 12, 2014.	CR 18/2014
Acquisition by the Company on December 18, 2014 17 914 own bearer bonds of the nominal value of PLN 1,000 each for their redemption.	CR 36/2014

2.5. Important events and achievements of Trakcja Group with significant effect on operations

In the opinion of the Management Board, there were no events, other than as described above, affecting the Group's activity. The main influence on the financial results generated in 2014 and in subsequent years will come from long-term contracts for construction services executed by the Group. Main contracts executed in 2014 are presented in Section 2.1 of these statements. Information concerning significant contracts for construction services concluded in 2014 is presented in Section 2.6 of these Statements. Significant events following the balance sheet date are presented in Section 5.7 of these statements.

2.6. Significant contracts

2.6.1. Key contracts for construction services

Key contracts for construction services concluded by the companies within Trakcja Group in 2014:

No.	Contract	mPLN	Company	Work types
1.	Reconstruction of the railway Warszawa - Łódź, stage 2, section Warszawa Zach.- Skierniewice	78	Trakcja PRKiI S.A.	Rail works
2.	Additional works involving the design and construction of two-level grade-separated crossing of the railway line No 17 Niciarniana street in Lodz	56	Trakcja PRKiI S.A.	Rail works
3.	Modernization of technical facilities parking SKM Warsaw location Szczęśliwice	45	Trakcja PRKiI S.A.	Rail works
4.	Reconstruction of Two level intersections with railway. Marijampolė Gedimino, Aušros street.	33	AB Kauno Tiltai	Road works
5.	Trans-European Network Route E77. Reconstruction of road Ryga-Šiauliai-Kaliningradas III stage, section from 160,0 km to 166,5 km.	29	AB Kauno Tiltai	Road works
6.	Reconstruction of road surface, maintenance and financing plan in Kaunas District Municipality	21	AB Kauno Tiltai	Road works
7.	Kolkas street reconstruction	21	AB Kauno Tiltai	Road works
8.	Design and execution of works involving the strengthening of the substrate and the construction of the embankment with the reinforcement of slopes - LCS MALBORK contract	21	Trakcja PRKiI S.A.	Rail works
9.	Reconstruction of Road P104 Tukums-Auce-Vitiniai(Lithuania border) Section Zebrene - Lielauce 45,40 - 55,70km	18	AB Kauno Tiltai	Road works
10.	Comprehensive repair of track No. 1 railway line WKD	17	Trakcja PRKiI S.A.	Rail works
11.	The construction of two-level junction or parallel roads to eliminate crossing at km 149,500	14	Trakcja PRKiI S.A.	Rail works
12.	Traction Substations (Expansion and modernization of the tram route in East-West relations (Retkinia Olechów) with power system and area traffic control system)	11	Trakcja PRKiI S.A.	Tramway works
13.	The construction of two-level junction or parallel roads to eliminate crossing at km 142.850	10	Trakcja PRKiI S.A.	Rail works
14.	The revitalization of the railway line No 131 on the section Chociw Grace - Kozuby - Zduńska Wola Karsznice	12	Trakcja PRKiI S.A.	Rail works
15.	New HVDC Light link between Sweden and Lithuania "NordBalt Submarine Cable Connection"	13	AB Kauno Tiltai	Energy work
16.	The installation of traffic safety and environment measures in TEN-T roads 2014-2020, Part I, Contract I	13	AB Kauno Tiltai	Road works
17.	Other contracts	147	-	Other
	TOTAL	**557**		

2.6.2. Insurance contracts

The Company as well as companies within the Group have standard insurance policies, with a cover for movable property in the event of damage, as well a civil liability insurance towards third parties in connection with conducted business activity and possessed property, as well as construction risk insurance. Moreover, the Group has standard insurance policies covering civil liability of members of the bodies of the Company and Group companies.

Aforementioned insurance contracts were concluded with the following insurers: Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A., STU Na Życie Ergo Hestia S.A, Allianz S.A., PZU S.A., PZU Lietuva.

2.6.3. Collaboration and cooperation agreements

The Group executed framework cooperation agreements in regard to financial market transactions concluded with entities of mBank, Alior Bank S.A., PKO BP S.A. and Nordea Bank Polska S.A. The subjects of these agreements cover the rules for cooperation in the scope of entering into financial market transactions between the Group and the banks.

2.7. Major deposits and capital investments

2.7.1. Investments of material nature

Investment outlays in the Group in 2014 amounted to PLN 12,063 thousand and were higher by PLN 1,681 thousand (by 16%) in relation to expenses incurred in 2013.

In individual operational segments, investment outlays amounted to:

- "Civil Engineering – Poland" – PLN 9,726 thousand (31/12/2013: PLN 6,817 thousand);

- "Construction, Engineering and Concession Contracts – Baltic States" – PLN 2,337 thousand (31/12/2013: PLN 3,591 thousand).

Investments executed in 2014 mainly included reinstatements and concerned purchasing machines and devices used during the Group's operations.

2.7.2. Capital investments of the Company, including capital investments outside of the group, and description of financing method

In 2014, the Company did not execute any capital investments.

In 2014, 2 new companies, directly dependant on the Issuer were established: AB Kauno Tiltai Sverige and UAB “Transporto infrastruktura”. Details concerning new companies were described in Section 1.4 hereof.

2.8. Strategy and directions of the Group's development

In 2014, the Group successfully continued organizational and legal restructuring in order to achieve effects of synergy, operational effectiveness and increasing the financial power.

In 2015 Trakcja Group plans to continue activities aiming at further improvement of the Group's results, driven by the following strategic prerequisites:

- the Group will develop through organic growth;
- increasing effectiveness and efficiency through a better organization of works, better use of synergy, and incentive systems;
- improvement of the management of cash flow and decreasing the balance of debt;
- more extensive use of own resources during contract execution;
- selective choice of contracts for execution within the consortium formula.

Significant success factors will include incentive systems, encouraging employees to seek further improvements in operations, and knowledge-sharing between various Group companies.

Strategic goals for individual business areas are as follows:

- railway – leading position in Poland and strong position in Lithuania;
- roads – leading position in Lithuania and rebuilding strong regional position in Podlasie,
- tramways – strengthening the market position in Poland and commencement of building a position in Lithuania;
- real estate – maintaining the position of a profitable local developer in the Warsaw region.

Markets, on which Trakcja Group companies operate have good perspectives thanks to substantial funds from the European Union within the scope of the New Perspective 2014-2020 (funds available to railways doubled in comparison with the previous Perspective).

The superior goal in the financial management of Trakcja Group will be a more effective management of working capital. Expected effects include better financial liquidity, optimization of demand for working capital, and maintaining a safe level of debt in the Group.

2.9. Development perspectives for the Group

The Management Board positively evaluates the growth perspectives for the Group in 2015. The order book as at December 31, 2014 (adjusted by contracts signed after December 31, 2014) was at above PLN 1,254 billion.

Planned investment outlays (EU funds and Polish contribution) on the market of railway-related construction/assembly services will amount to approximately PLN 59 million in 2014-2020 (source: “Dokument implementacyjny do strategii rozwoju transportu do 2020 roku (z perspektywą do 2030 roku)” ["Implementation document relating to the transport strategy development up to 2020 (with a 2030 perspective)", the Ministry of Infrastructure and Development], Ministry of Infrastructure and Development, Warsaw, October 2014, whereas planned expenses for national roads in the years 2014-2020 – approximately PLN 124 billion (source: “Program Budowy Dróg Krajowych na lata 2014-2020 (Projekt)” ["National Roads Construction Programme for the years 2014-2020 (Draft)"], Ministry of Infrastructure and Development, Department of Roads and Motorways, November 04, 2014).

2.10. Description of external and internal factors significant for the Group's development

Key factors, which in the opinion of the Management Board of the Parent Company have or will have in the nearest future impact on the Group's activities, are presented below. Information on significant proceedings and disputes against companies in the Group as well as penalties is presented in Section 5.6 hereof.

The most important external factors substantially affecting the Group's financial results include:

- The level of expenses on rail and road infrastructure in Poland and in Lithuania.
- Competition of other entities.
- Formation of prices of raw materials and construction materials.
- Formation of currency exchange rates, in particular the Euro rate.
- Influence of the Central Bank's monetary policy on the change of interest rate on credits.
- Timeliness in repayment of liabilities by recipients.
- Changes in law regulations establishing the scope of the Group's activity, including tax regulations as well as provisions on other public charges.

The most important external factors substantially affecting the Group's financial results include:

- 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.
- Ability to acquire new construction contracts.
- Ability to execute the development strategy of the Issuer's Group.

2.11. Risk and threat factors

Within the scope of conducted activity, Trakcja Group is exposed to various types of risks, which may be divided into below groups:

- Industry risk;
- Contract execution risk;
- Financial risk.

Industry risk

In terms of this risk, the Group is exposed to a risk relating to intensifying competition. The market of railway construction in Poland and Baltic States, where the Group conducts activity is attractive due to significant planned investment outlays. Although barriers of entry on the market of rail and road construction in Poland and Baltic States are high, the number of new entities is increasing. Moreover, a significant factor affecting the market position of Trakcja Group are the financial plans of Polish and Lithuanian governments concerning the modernization of infrastructure.

This industry risk may have substantial influence on the Group's development perspectives and its financial situation. A competitive advantage of Trakcja Group is over seventy years of market experience possessed by Group companies, which allowed developing high-quality systems of executing purchase orders of highly valued Partners. The main attribute of the Group is the possibility of comprehensive performance of investments using own potential in all sectors (rail works, engineering facilities, overhead contact lines), possessed contracts portfolio, and:

- having at our disposal qualified management and client-oriented team;
- significant experience in professional performance and coordination of works executed in a timely manner according to highest European standards;
- possessing a modern machine park.

The Group has substantial competitive advantage over other companies, and the Group's position on the market of services relating to the rail and road infrastructure in Poland and in Baltic States is grounded and stable. The aforementioned strengths of Trakcja Group minimize the risk relating to intensifying competition.

Contract execution risk

An inseparable risk relating to the operations of Trakcja Group is the contract execution risk. This risk may be affected mainly by the following factors: failure to obtain in due time the administrative decisions provided for, amongst others, in the provisions of the Building Law, the Administrative Procedure Code and the Environmental Protection Law; changes in prices of materials and raw materials; changes of prices for services provided by subcontractors; subcontractors' failure to complete, or delays in completion of works essential to commence project execution; underestimation of costs; potential penalties for infringing contracts; unfavourable weather conditions. The risk of underestimating contract costs may occur in case of works, which are difficult to identify at the stage of preparing the Group's bid and essential to perform the contract, and the price for the works. Within the scope of performing construction contracts, companies in Trakcja Group conclude agreements with subcontractors usually later than the agreement with the investor, which may cause a risk that the adopted price of the service provided for the Group by subcontractors will be higher than the price adopted at the stage of contract valuation and signing. Prices stated in contracts with investors are fixed and cannot be changed during the term of the contract. Trakcja Group incurs the risk of a failure to meet the deadlines for the performance of the subject of concluded construction contracts, as well as performance of guarantee works relating to removal of defects and faults, which, in consequence, is related with the right of the investor to take advantage of the aforementioned collateral or claiming contractual penalties. Also the Group cannot exclude a risk relating to possible disputes concerning improper or untimely performance of contracts. Occurrence of aforementioned factors may adversely affect the Issuer's financial results.

The Issuer's Management Board undertakes relevant actions aiming at minimizing these risks e.g. through implementation of a modern contract management system, which allows managing budgets and schedules of many large projects executed at the same time, based on detailed unit data registered in real time. In addition, the Group continuously monitors the prices of services provided by subcontractors and ensures that signed contracts have proper parameters concerning the term of the contract and the value of the contract adjusted to the market situation. Thanks to the initiative of implementing the system of central procurement for all realized projects and all organizational units of the infrastructure, the Group intends to achieve substantial and permanent cost savings and optimize procurement processes. Moreover, the long-term market practice allowed Trakcja Group to develop techniques for managing projects, which allow us to complete projects entrusted with the Group companies within the agreed schedules and simultaneously maintain the required quality and meet special requirements of the investors.

Financial risk

In terms of financial risk, the Group is exposed to a risk relating to financial contracts and a risk relating to liquidity. The risk relating to financial contracts results from the fact that both banks (in terms of credits and contract guarantees) as well as insurance companies (in terms of contract guarantees) may restrict the availability of sources of financing and other financial instruments, which may cause restrictions in contract performance. In 2014, Trakcja Group significantly expanded the possibilities of obtaining sources of financing, both in terms of credits and loans as well as guarantee products. The Group monitors the capital structure using the financing structure indexes. Indexes analysed by the Group allow maintaining both good credit rating and confirm the capital structure support for the operating activities of Trakcja Group.

A significant factor in assessing the risk of insolvency is the generated level of operational cash flows, volume of cash, and the liquidity factor. The Group monitors the balance of available cash, and maintains a safe level of both external financing and financial liquidity. Any temporary cash surpluses were invested in short-term bank deposits. To avoid potential threats in the future and to minimize the risk relating to a loss of the Group's liquidity, long- and short-term analysis and forecasts are developed, which allow defining the Group's cash requirements. Thanks to these activities, inflows and expenses can be planned in advance and the optimum level of cash can be defined along with the manner of financing future expenditures.

Other factors, apart from the above-mentioned, which may cause fluctuations of prices of shares of Trakcja PRKiI include:

- Change of the rating of the Group's creditworthiness;
- Change in the balance of the Group's debt;
- Sale or purchase of assets by the Group;
- Significant changes in the Issuer's ownership structure;
- Changes made by capital market analysts with respect to their forecasts and recommendations regarding Trakcja PRKiI, its contracting parties, partners and sectors of economy, in which the Group is involved.

Combating the materialization of all these risks constitute the basic goal of activity of the Issuer's Management Board, which conducts discussions with ordering parties, consortium partners and subcontractors, banks and insurers. Managing these risks is performed at the highest management level in the Group.

3. ANALYSIS OF TRAKCJA GROUP'S FINANCIAL SITUATION

3.1. Group's financial performance in 2014

3.1.1. Consolidated balance sheet of Trakcja Group

The table below presents the annual consolidated report on the financial situation of Trakcja Group – assets.

CONSOLIDATED ASSETS	31.12.2014 Audited	31.12.2013 Modified	Change	Change %
Non-current assets	**719 867**	**721 913**	**(2 046)**	**0%**
Tangible non-current assets	185 657	180 115	5 542	3%
Investment properties	22 960	30 324	(7 364)	-24%
Goodwill from consolidation	342 265	375 217	(32 952)	-9%
Intangible assets	60 169	60 161	8	0%
Investments in entities accounted using equity method	11 430	8 644	2 786	32%
Investments in other units	131	24	107	446%
Other financial assets	56 013	25 665	30 348	118%
Deferred tax assets	35 863	39 871	(4 008)	-10%
Construction contracts	3 972	-	3 972	-
Prepayments	1 407	1 892	(485)	-26%
Current assets	**725 949**	**776 004**	**(50 055)**	**-6%**
Inventory	59 977	103 155	(43 178)	-42%
Trade and other receivables	521 885	497 617	24 268	5%
Other financial assets	10 412	35 095	(24 683)	-70%
Cash and cash equivalents	61 846	83 599	(21 753)	-26%
Prepayments	4 736	8 486	(3 750)	-44%
Construction contracts	67 093	48 052	19 041	40%
Total assets	**1 445 816**	**1 497 917**	**(52 101)**	**-3%**

As at December 31, 2014, the balance sheet total of Trakcja Group was at PLN 1,445,816 thousand and decreased by PLN 52,1010 thousand in regard to the balance as at the end of 2013. Tangible assets decreased by PLN 2,046 thousand in comparison to 2013, reaching PLN 719,867 thousand as at December 31, 2014; whereas current assets decreased in 2014 by PLN 50,055 thousand and amounted to PLN 725,949 thousand.

The largest decrease among tangible assets concerned the goodwill from consolidation, which fell by PLN 32,952 thousand, including PLN 37,431 thousand in relation to the write-down. Details concerning the write-down to goodwill are included in Note 24 of the Consolidated Financial Statements for 2014.

The value of current assets also dropped in regard to the previous year in connection with a decrease in inventory. As at the balance sheet date, inventory amounted to PLN 59,977 thousand and decreased by PLN 43,178 thousand. Cash and cash equivalents decreased by 26%, reaching PLN 61,846 thousand.

The table below presents the annual consolidated report on the financial situation of Trakcja Group – liabilities.

CONSOLIDATED LIABILITIES	31.12.2014 Audited	31.12.2013 Modified	Change	Change %
Equity attributable to shareholders of parent entity	**671 910**	**621 112**	**50 798**	**8%**
Share capital	41 120	41 120	-	0%
Share premium account	309 984	310 102	(118)	0%
Revaluation reserve	6 790	6 811	(21)	0%
Other capital reserves	249 258	224 735	24 523	11%
Retained earnings	49 537	29 908	19 629	66%
Foreign exchange differences on translation of foreign operations	15 221	8 436	6 785	80%
Non-controlling interests	2 593	2 260	333	15%
Total equity	**674 503**	**623 372**	**51 131**	**8%**
Total liabilities	**771 313**	**874 545**	**(103 232)**	**-12%**
Long-term liabilities	**151 338**	**112 618**	**38 720**	**34%**
Interest-bearing bank loans and borrowings	101 231	19 523	81 708	419%
Bonds	-	49 926	(49 926)	-100%
Provisions	4 912	4 226	686	16%
Liabilities due to employee benefits	11 961	10 318	1 643	16%
Provision for deferred tax	27 132	28 055	(923)	-3%
Derivative financial instruments	6 102	570	5 532	971%
Short-term liabilities	**619 975**	**761 927**	**(141 952)**	**-19%**
Interest-bearing bank loans and borrowings	30 082	167 125	(137 043)	-82%
Bonds	32 360	-	32 360	-
Trade and other liabilities	388 616	371 355	17 261	5%
Provisions	21 895	18 923	2 972	16%
Liabilities due to employee benefits	10 623	9 352	1 271	14%
Income tax liabilities	6 002	4 527	1 475	33%
Derivative financial instruments	386	-	386	-
Other financial liabilities	38 338	34 718	3 620	10%
Accruals	370	70	300	429%
Construction contracts	87 352	155 026	(67 674)	-44%
Advances received towards flats	3 951	831	3 120	375%
Total equity and liabilities	**1 445 816**	**1 497 917**	**(52 101)**	**-3%**

As at December 31, 2014, the equity of the Group increased by PLN 51,131 thousand, i.e. 8% as compared to the balance as at December 31, 2013. This increase was caused mainly by generating net profit in 2014 in the amount of PLN 50,391 thousand.

As at December 31, 2014 long-term liabilities amounted to PLN 151,338 thousand and increased by PLN 38,720 thousand in comparison to the balance as at December 31, 2013. The value of long-term interest-bearing credits and loans increased by PLN 81,708 thousand and amounted to PLN 101,231 thousand. The deferred tax reserve amounted to PLN 27,132 thousand and dropped by PLN 923 thousand.

Short-term liabilities decreased by PLN 141,952 thousand, which constitutes a decrease of 19% as compared to 2013. As at the balance sheet date, the increase of trade liabilities and other liabilities amounted to PLN 17,261 thousand, which was a growth of 5% in relation to the comparable year. Short-term interest-bearing loans and credits were at PLN 30,082 thousand and decreased by PLN 137,043 thousand in comparison to the analogous data as at the end of the previous year.

3.1.2. Consolidated profit and loss account of Trakcja Group

CONSOLIDATED PROFIT & LOSS ACCOUNT	**1.01.2014 - 31.12.2014 Audited**	**01.01.2013 - 31.12.2013 Modified**	**Change**	**Change %**
Sales revenues	1 601 674	1 274 222	327 452	26%
Cost of goods sold	(1 399 546)	(1 180 981)	(218 565)	19%
Gross profit on sales	**202 128**	**93 241**	**108 887**	**117%**
Cost of sales, marketing and distribution	(5 591)	(8 007)	2 416	-30%
General and administrative costs	(66 597)	(56 129)	(10 468)	19%
Other operating revenues	2 310	14 298	(11 988)	-84%
Other operating costs	(11 761)	(4 692)	(7 069)	151%
Share of profit of entities consolidated using	2 786	1 880	906	48%
Goodwill impairment	(37 431)	-	(37 431)	-
Operating profit	**85 844**	**40 591**	**45 253**	**111%**
Financial revenues	1 896	3 194	(1 298)	-41%
Financial costs	(18 926)	(20 651)	1 725	-8%
Gross profit	**68 814**	**23 134**	**45 680**	**197%**
Income tax	(18 423)	6 861	(25 284)	-369%
Net profit for the period	**50 391**	**29 995**	**20 396**	**68%**

In 2014 Trakcja Group generated revenues at PLN 1,601,675 thousand, which increased by 26% in comparison to the previous year. Own costs of sale during the 12 months of 2014 increased by 19% and amounted to PLN 1,399,546 thousand. Gross profit on sale of the Group in 2014 amounted to PLN 202,128 thousand and was 117% higher than the profit in the comparable period. In the discussed period, the gross margin on sales amounted to 12.6%, whereas in the analogous period of 2013 it reached 7.3%.

The costs of sale, marketing and distribution were at PLN 5,591 thousand and were lower by 30% than in the comparable period. The overheads reached PLN 66,597 thousand and increased by 19% i.e. by PLN 10,468 thousand in comparison with the comparable period.

Other operating revenues for the 12 months of 2014 were at PLN 2,310 thousand and were lower by 84% i.e. PLN 11,998 thousand lower than in the comparable period. Other operating costs in 2014 amounted to PLN 11,761 thousand and were higher by PLN 7,069 thousand in comparison to the costs in the previous year in relation with the recognition of a write-down to the value of investment properties held by the Group in the amount of PLN 7,690 thousand. In 2014 the Group recognized a write-down to goodwill in the amount of PLN 37,431 thousand in connection with the conducted test on impairment of goodwill allocated to the cash generating unit comprising PEUiM Sp. z o.o, PDM Białystok S.A. and Dalba Sp. z o.o. During the discussed period the Group generated profit on operating activities in the amount of PLN 85,844 thousand and was higher by 111% i.e. by PLN 45,253 thousand in comparison with the analogous period in the preceding year, in which the profit amounted to PLN 40,591 thousand.

The Group's financial revenues for 2014 reached PLN 1,896 thousand and decreased by 41% in comparison to revenues for 2013, when they amounted to PLN 3,194 thousand. Financial costs for the 12 months ended on December 31, 2014 amounted to PLN 18,926 thousand and decreased in comparison to the previous year mainly due to lower financial costs relating to interest.

For the period from January 01, 2014 to December 31, 2014, the Group generated gross profit in the amount of PLN 68,814 thousand, therefore gross result increased by PLN 45,680 thousand, i.e. 197% in comparison to the analogous period of the previous year, when the Group generated gross profit in the amount of PLN 23,134 thousand.

Income tax in 2014 had negative effect on net profit in the amount of PLN 18,423 thousand. In 2013, income tax amounted to PLN 6,861 thousand and had a positive effect on the net result.

Trakcja Group generated net profit for 2014 in the amount of PLN 50,391 thousand, and the Group's net result increased by 68% as compared to 2013.

3.1.3. Profitability ratios

The gross margin on sales in 2014 increased by 5.3 pp as compared to the previous year reaching 12.6%. Operating profit, including amortisation was at PLN 146,949 thousand and increased by PLN 83,672 thousand as compared to the previous year. The EBITDA margin in 2014 decreased by 4.2 pp and amounted to 9.2%. The operating margin in 2014 amounted to 5.4% and was higher by 2.2 p.p. in comparison to 2013. The net profit margin increased by 0.8 p.p. reaching a positive level of 3.1% in comparison to the 2.4% in 2013. The return on equity (ROE) increased in comparison to the previous year by 2.4 pp and amounted to 7.8%, whereas the return on assets (ROA) reached 3.5% and was higher by 1.2 pp than in the previous year.

PROFITABILITY RATIOS	31.12.2014 Audited	31.12.2013 Modified	Change
Gross sales profit margin	12,6%	7,3%	5,3%
EBITDA	146 949	63 277	83 672
EBITDA profit margin	9,2%	5,0%	4,2%
Operating profit margin	5,4%	3,2%	2,2%
Net profit margin	3,1%	2,4%	0,8%
Return on equity (ROE)	7,8%	5,4%	2,4%
Return on assets (ROA)	3,4%	2,2%	1,2%

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

Other financial ratios are presented in Section 3.2.

3.1.4. Consolidated cash flow statement of Trakcja Group

The main items of Trakcja Group's consolidated cash flow statement for years ended December 31, 2014 and December 31, 2013 have been presented in the table below.

CONSOLIDATED CASH FLOW ACCOUNT	31.12.2014 Audited	31.12.2013 Modified	Change 2014 / 2013	Change %
Cash at start of period	**81 408**	**121 143**	**(39 735)**	**-33%**
Net cash flows from operating activities	99 081	(25 704)	124 785	-485%
Net cash flows from investment activities	(11 108)	(9 815)	(1 293)	13%
Net cash flows from financial activities	(111 743)	(4 216)	(107 527)	2550%
Total net cash flows	**(23 770)**	**(39 735)**	**15 965**	**-40%**
Cash at end of period	**57 638**	**81 408**	**(23 770)**	**-29%**

In 2014, the net cash flow balance from operating activities was negative and amounted to PLN 99,081 thousand. The net cash flow balance from operating activities increased by PLN 124,785 thousand.

In 2014 the Group presented a negative balance of net cash from investments in the amount of PLN 11,108 thousand, whereas in 2013 the negative balance of cash flow from investments amounted to PLN 9,815 thousand. The negative balance from investments in 2014 was caused by purchasing tangible fixed assets by Trakcja Group and expenses connected with security deposits and bank guarantees.

The net cash flow balance from financial activities in 2014 was negative and amounted to PLN 111,743 thousand. In 2014, this balance decreased by PLN 107,527 thousand as compared to the analogous period of the previous year. In 2014, the Group significantly decreased the balance of debt and repaid a part of the E series bonds.

The Group commenced the year 2014 with cash in the total amount of PLN 810,408 thousand and ended 2014 with cash balance at PLN 57,638 thousand as presented in the consolidated cash flow statement. In 2014, the balance of cash decreased in total by PLN 23,770 thousand.

The balance of cash as at December 31, 2014 presented in the balance sheet was at PLN 61,846 thousand. Cash excluded from the cash flow statement as at December 31, 2014 relate to cash blocked on development project accounts in the amount of PLN 4,208 thousand, and restricted cash in the amount of PLN 981 thousand are allocated to repayment of interest on bonds.

3.2. Description of the structure of assets and liabilities of the consolidated balance sheet from the liquidity point of view

In the structure of assets as at December 31, 2014, similarly to the previous year, the share of tangible assets and current assets is close. The largest share in the structure of tangible assets is that of tangible fixed assets – approximately 13% (31/12/2013: 12%). The largest share in the structure of current assets is that of trade receivables and other receivables – approximately 36% (31/12/2013: 33%).

In the structure of liabilities as at December 31, 2014, the total equity is at 46% (31/12/2013: 41%), long-term liabilities at 10% (31/12/2013: 8%), and short -term liabilities at 43% (31/12/2013: 51%). The largest share in the structure of short-term liabilities is that of trade liabilities and other liabilities, which constitute 27% of the total balance sheet sum (31/12/2013: 25%).

The below indicators of liquidity and financing structure prove the safe level of liquidity.

3.2.1. Liquidity ratios

Working capital of Trakcja Group in 2014 was at a positive level and amounted to PLN 105,975 thousand and was higher by PLN 91,898 thousand than in the previous year.

At the end of 2014, the current liquidity ratio was at 1.17 and was higher by 0.15 than in 2013. The quick liquidity ratio increased by 0.15 and reached 0.96. The immediate liquidity ratio decreased by 0.01 in comparison to the previous year and reached 0.10. The immediate liquidity ratio demonstrates that the Group would be able to immediately repay 10% of its liabilities in cash.

LIQUIDITY RATIOS	31.12.2014 Audited	31.12.2013 Modified	Change
Working capital	105 975	14 077	91 898
Current ratio	1,17	1,02	0,15
Quick ratio	0,96	0,81	0,15
Cash ratio	0,10	0,11	(0,01)

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

3.2.2. Financing structure ratios

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

The equity to assets ratio increased in 2014 to 0.46 and was higher by 0.05 than in the preceding year. The equity to fixed assets ratio increased by 0.07 and amounted to 0.93. Whereas the ratio of total debt decreased, and was at 0.54 at the end of 2014. The foregoing means that the Group's assets are financed from external financing sources - liabilities - in 54%. At the end of 2014, the debt to equity ratio decreased in comparison to 2013 by 0.26 and was at 1.15 as at December 31, 2014.

FINANCING STRUCTURE RATIOS	31.12.2014 Audited	31.12.2013 Modified	Change
Equity to assets ratio	0,46	0,41	0,05
Equity to non-current assets ratio	0,93	0,86	0,07
Debt ratio	0,54	0,59	-0,05
Debt to equity ratio	1,15	1,41	-0,26

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

3.3. Assessment of financial resources management

At the end of 2014, Trakcja Group held cash in the amount of PLN 61,846 thousand with a simultaneous total financial debt due to credits, loans, issued bonds, financial lease, and liabilities due to factoring in the amount of PLN 202,012 thousand. The Group maintains a safe level of both external financing and financial liquidity. Any temporary cash surpluses were invested in short-term bank deposits.

As at December 31, 2014, the Group's entities had at their disposal a credit limit in the current account and revolving credits up to the total value of PLN 405 million, of which only 34% were used, which guarantees a stable level of financing current contracting activity for Trakcja Group companies.

Trakcja Group conducts extensive cooperation with banks and insurance institutions in order to ensure relevant level of financing and bank/insurance guarantees allowing execution of planned construction contracts.

Trakcja Group, through renegotiating existing credit contracts, early repurchase of a part of bonds, and initiating business relations with new banks and insurance companies, improves its liquidity position and expands the sources of external financing.

The Group takes advantage of many offered bank products and various sources of financing (credit limits in current account, investment credits, bonds, factoring, financial lease) to minimize financial costs and optimize financial liquidity management.

3.4. Evaluation of factors and unusual events affecting the financial performance of Trakcja Group in 2014

The main factors and untypical events affecting the results of Trakcja Group in 2014 include:

Goodwill impairment

As a result of the conducted test of impairment of goodwill assigned to the cash generating unit comprising the following subsidiaries: PEUiM Sp. z o.o., Dalba Sp. z o.o. and PDM Białystok S.A., the Group created a write-down to this asset within the consolidated balance sheet of Trakcja Group in the amount of PLN 37,431 thousand. Details concerning the write-down are included in Note 24 of the Consolidated Financial Statements for 2014.

Recognition of the write-down to the value of investment properties

The Group recognizes investment property at fair value. Based on the valuation of investment properties performed by an independent valuer as at December 31, 2014, this value of the Group's investment properties was established at PLN 7,690 thousand gross. The created write-down to the value of investment properties affected the decrease of the gross profit for 2014 in the amount of PLN 7,690 thousand and a decrease of the balance sheet sum presented in the consolidated balance sheet of Trakcja Group as at December 31, 2014 in the analogical amount. Details concerning the adopted methods of valuation of investment properties are included in Note 23 of the Consolidated Financial Statements for 2014. The above event had a non-monetary character.

Recognition of the trade receivables write-down

The Parent Company decided to create a write-down to trade receivables due from one company, not within the Issuer's Group, in the amount of PLN 5,163 thousand due to recognizing this receivable as mostly unrecoverable.

The created write-down to short-term financial assets of the Issuer affected the decrease of the Group's financial result for 2014 and the balance sheet sum presented in the consolidated balance sheet of Trakcja Group as at December 31, 2014. The above event had a non-monetary character.

Clearing of the LCS Działdowo contract and conclusion of a pre-court settlement with PKP PLK S.A.

Due to clearing the contract concluded on May 31, 2010 for the performance of construction works concerning the complex modernization of stations and routes in the LCS Działdowo area within the project POIiŚ 7.1-41: "Modernization of the railway line E-65/C-E 65 at the Warsaw - Gdynia section - LCS Działdowo area" Trakcja PRKiI, as the consortium leader conducted negotiations and concluded a pre-court settlement with PKP PLK S.A. "Contracting Authority"). Pursuant to the provisions of the settlement, the Contracting Authority undertook to pay to the consortium the net amount of PLN 15,740 thousand.

In addition, apart from the concluded settlement, the Contracting Authority agreed to pay to the Consortium the net amount of PLN 7,260 thousand to cover the cost of performing the Contract for an extended term.

As part of the final settlement of accounts within the contract, as regards the remuneration for the work performed in previous periods during the term of the Contract, the Contract Engineer recognised the gross amount of PLN 17,998, which the Contracting Authority agreed to pay to the Consortium.

The above event affected - indirectly, after deducting the costs and accounting for the relevant level of reserves - the financial result of the Group for 2014 by way of updating margins in the LCS Działdowo contract.

Pursuant to the assumptions adopted by the Management Board in regard to the settlement of the aforementioned components of the concluded contract and in account of the foreseen costs to be incurred, the influence on the 2014 result was at PLN 8.2 million.

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

Based on conducted analysis, the Management Board of the Parent Company claims that Trakcja Group able to finance current and future investment undertakings with funds generated from operating activity and obtaining debt financing.

3.6. Hedging transactions

On June 05, 2013 the subsidiary of Trakcja PRKiI, i.e. UAB Palangos aplinkkelis concluded an interest rate swap (IRS) to secure future cash flows due to planned interest payments on the term loan. Pursuant to the agreement, the company is a payee of amounts according to a fixed rate, whereas the bank is a payee of amounts according to a variable rate. The date of expiry of the hedging relationship was set at May 31, 2028. The fair value of the IRS contract is calculated as the current value of estimated future cash flows based on the observation of income curves. As at December 31, 2014, the influence of the valuation of the above hedging instrument on total income was negative and amounted to PLN 5,055 thousand. The Group assessed the effectiveness of the hedge of the concluded IRS transaction. During the reporting period, the hedge on the interest rate change was highly effective, therefore no ineffective part due to IRS valuation has been identified or recognized in the profit and loss statement.

During the reporting period, the Group concluded option contracts for interest rates and interest rate swaps (IRS). The Group did not conclude any derivative contracts for speculation purposes. The Group did not apply hedge accounting during reporting periods covered by these statements in regard to IRS contracts and options, therefore these were valuated at fair value through the financial result. In 2014, valuation of financial instruments recognized in the profit and loss account was at PLN 356 thousand and in 2013 the value was at PLN 144 thousand.

3.7. Explanation of differences between the actual and forecast financial performance of Trakcja Group

Trakcja Group did not publish any financial forecast in 2014.

4. SHARES AND OWNERSHIP STRUCTURE OF TRAKCJA PRKiI

4.1. Shareholding structure

As at December 31, 2014 and as of the date of these statements, the share capital of the Company - pursuant to the entry in the National Court Register - amounted to PLN 41,119,638.40 and was divided into 51,399,548 A-series ordinary bearer shares with nominal value of PLN 0.80 each. Each share entitles to one vote at the Company's General Meeting.

In Q4 2014, pursuant to the regulation of the General Meeting of October 16, 2014, shares were split at the ratio of 8:1 with a simultaneous increase of their nominal value. This means that nominal value of shares of all series was raised from PLN 0.10 to PLN 0.80. All existing ordinary bearer shares of the Company issued within series A, C, D, E, F, G and H were marked with the new A series. The split took place with a proportional decrease of the total number of shares from 411,196,384 to 51,399,548 i.e. through combining each 8 shares with the existing nominal value of PLN 0.10 into one share with the new nominal value of PLN 0.80. The entire procedure did not affect the basic capital of Trakcja PRKiI.

Due to the shares split, as from December 15, 2014 (the date of recommencing the trade of Company shares) there are 51,399,548 A-series ordinary bearer shares of Trakcja PRKiI listed at the Warsaw Stock Exchange, marked with the code PLTRKPL00014.

The table below presents the shareholding structure before and after shares split:

	31.12.2014 Audited	31.12.2013 Modified
	Par value 0.8 PLN	Par value 0.1 PLN
Series A ordinary shares	51 399 548	1 599 480
Series C ordinary shares	-	83 180 870
Series D ordinary shares	-	19 516 280
Series E ordinary shares	-	25 808 850
Series F ordinary shares	-	30 000 000
Series G ordinary shares	-	72 000 000
Series H ordinary shares	-	179 090 904
Total	**51 399 548**	**411 196 384**

According to the knowledge of the Management Board of the Parent Company, the status of Shareholders who hold, directly or through subsidiaries at least 5% of the general number of votes at the General Meeting as of the date of approving these statements, after the shares split, is as follows:

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	14 802 280	28,80%	14 802 280	28,80%
ING OFE	7 605 842	14,80%	7 605 842	14,80%
OFE PZU	4 349 650	8,46%	4 349 650	8,46%
Pozostali akcjonariusze	24 641 776	47,94%	24 641 776	47,94%
Razem	**51 399 548**	**100,00%**	**51 399 548**	**100,00%**

After the shares split, the Issuer did not receive any notification about a change of the share in the votes at the Company's General Meeting by current Shareholders who possess, directly or through their subsidiaries, at least 5% of the general number of votes at the General Meeting. Therefore, the number of shares presented in the table was determined by way of dividing by 8 (the shares split ratio was 8:1) and rounding up the total number of shares held by individual Shareholders, according to information possessed by the Company on the date of commencing the shares split process.

4.2. Number and nominal value of the Company's shares and interest in the Company's associates held by managing and supervising persons

The status of possession of the Issuer's shares by managing and supervising persons as at the date of delivering the statements is as follows (nominal value of 1 share is PLN 0.80):

First name and surname	Function	Number of shares	Shares nominal value	% in the shareholding
Maciej Radziwiłł	Chairman of the Supervisory Board	35	28	0,000%
Marita Szustak	Vice-President of the Management Board	62 500	50 000	0,122%
Nerijus Eidukevičius	Vice-President of the Management Board	328 271	262 617	0,639%

Pursuant to the knowledge of the Issuer's Management Board, as at the date of delivering these statements other members of the Management Board and Supervisory Board do no hold any shares of Trakcja PRKiI.

As from the date of delivering the last periodical report, there were no changes in the percentage interest of shares of the Parent Company by managing and supervising persons. Changes concerning the held number of the Company's shares by managing and supervising persons result from the process of splitting the Company's shares at an 8:1 ratio in Q4 2014.

The Company’s Management Board members and Supervisory Board members do not hold shares in any entities within Trakcja Group.

4.3. Agreements concerning potential changes in the shareholding structure

The Management Board has no information about concluded agreements which may result in future changes to the proportions of shares held by the current shareholders

4.4. Employee Share Scheme

In 2014 Trakcja Group did not run any employee share schemes.

4.5. Purchase of own shares

In 2014, Trakcja PRKiI did not acquire own shares.

5. OTHER INFORMATION

5.1. Information about incurred and terminated credits and loans

As of the balance sheet date, Trakcja Group had the following credits and loans:

Company name	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	BRE Bank S.A.	overdraft	10 000	PLN	28.01.2016	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	50 000	PLN	30.04.2015	WIBOR O/N + margin	7 000
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	45 000	PLN	30.04.2015	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	PKO BP S.A.	working capital	44 000	PLN	03.07.2016	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	mLeasing	investment	22 400	PLN	16.09.2019	WIBOR 1M + margin	21 683
PRK 7 Nieruchomości Sp. z o.o.	Bank Ochrony Środowiska S.A.	investment	19 000	PLN	30.03.2016	WIBOR 1M + margin	-
AB Kauno Tiltai	Nordea Dnb	working capital	18 000	EUR	31.08.2016	EURIBOR 3M + margin	18 902
AB Kauno Tiltai	Nordea Dnb	investment	6 668	EUR	01.04.2017	EURIBOR 3M + margin	20 978
AB Kauno Tiltai	Nordea Dnb	investment	5 685	EUR	01.04.2016	EURIBOR 3M + margin	-
AB Kauno Tiltai	Nordea Dnb	investment	2 285	EUR	01.04.2015	EURIBOR 3M + margin	-
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	5 841	LTL	25.05.2015	non-interest bearing	5 408
UAB Palangos aplinkkelis	SEB Bank	project purpose loans	8 500	EUR	31.05.2028	EURIBOR 3M + margin	29 829
UAB Pletros investicijos	Šiaulių plentas UAB	loan from other entities	397	EUR	31.12.2028	fixed interest rate	1 586
						Total	**105 386**

The total liability of the Group due to incurred credits and loans as at December 31, 2014 amount to PLN 105,386 thousand, including PLN 72,490 thousand which constitutes an investment liability, and PLN 25,902 thousand concerns trading-nature liabilities.

Moreover, pursuant to signed agreements as at December 31, 2014, the Group had unused credit limits in the current account and revolving credits in the total amount of PLN 206 million.

Credits and loans incurred in 2014

During the period covered by these statements, companies in Trakcja Group signed agreements concerning the following liabilities due to credits or loans.

The Parent Company signed the following agreements:

- an agreement with PKO BP S.A. concerning a revolving credit for PLN 44,000 thousand with a repayment date up to July 03, 2016 and interest rate at WIBOR 1M plus margin;

- an agreement with mLeasing Sp. z o.o. concerning an investment loan for PLN 22,400 thousand with a repayment date up to September 16, 2019 and interest rate at WIBOR 1M plus margin;

On April 30, 2014, the Parent Company signed two annexes to open-end credit agreements:

- an annex to the credit agreement of March 30, 2011 for an open-end credit in the account up to PLN 60,000 thousand, concluded between the Company and Alior Bank S.A. Pursuant to the annex, the term of financing was extended to April 30, 2015 and the amount was changed to PLN 45,000 thousand.

- an annex to the credit agreement of March 23, 2012 for an open-end credit in the account up to PLN 15,000 thousand, concluded between the Company and Alior Bank S.A., pursuant to which the bank extended the financing period to April 30, 2015. The Parties agreed that the credit will amount to PLN 50,000 thousand.

Moreover, on the same day i.e. April 30, 2014 Trakcja PRKiI concluded an agreement with the bank for a product limit with the character of a guarantee in the amount of PLN 50,000 thousand. The last day for using the limit shall be April 29, 2015.

On December 09, 2014, an annex was signed to the significant factoring agreement with a recourse concluded on May 10, 2013 between Trakcja PRKiI and mFaktoring S.A. The financing limit foreseen in the agreement was amended and amounts to PLN 100,000 thousand. The remaining provisions of the agreement remained unchanged.

The Issuer's subsidiaries signed the following agreements:

AB Kauno Tiltai, a subsidiary, signed an annex to the credit agreement conclude with Nordea Bank Finland Plc Branch in Lithuania and AB DNB bankas. The subject of the annex is the extension of the term of the credit line granted to AB Kauno Tiltai to August 31, 2015. The credit line limit amounts to EUR 18,000 thousand.

On October 03, 2014, the Issuer's subsidiary, AB Kauno Tiltai executed an annex to the credit agreement concluded with Nordea Bank AB and AB DNB bankas. The annex amended both the amounts and the dates for individual bank products covered by the agreement. Pursuant to the annex, AB Kauno Tiltai was granted:

- a credit amounting to PLN 6,209 thousand with a repayment date at April 01, 2017 (previous date: April 1, 2016;

- a credit line and a credit line limit amounting to EUR 18,000 thousand with a repayment date at August 31, 2016 (previous date: August 31, 2015);

- a guarantee line and a guarantee line limit amounting to EUR 55,000 thousand with a repayment date at August 31, 2019 (previous date: January 31, 2018);

Moreover, in 2014 AB Kauno Tiltai made a conversion of the liability due to the VAT to a non-interest bearing tax credit in the amount of LTL 5,841 thousand, the balance of as at December 31, 2014 amounted to PLN 5,408 thousand.

A subsidiary, PRK7 Nieruchomości Sp. z o.o. signed an investment credit agreement with BOŚ Bank S.A. for PLN 19,000 thousand with maturity date at March 30, 2016.

Credits concerning credits and loans, terminated in 2014

In 2014, the Parent Company repaid and terminated the following agreements:

- the agreement with Bank Zachodni WBK S.A. for an investment credit in the amount of PLN 18,000 thousand, with interest rate equivalent to WIBOR 1M + margin; as at December 31, 2013 the credit balance amounted to PLN 11,568 thousand;

- the agreement with Bank Zachodni WBK S.A. for an investment credit in the amount of PLN 7,200 thousand, with interest rate equivalent to WIBOR 1M + margin; as at December 31, 2013 the credit balance amounted to PLN 2,291 thousand;

- the agreement with mBank S.A. for a revolving credit in the amount of PLN 12,000 thousand, with interest rate equivalent to WIBOR 1M + margin; as at December 31, 2013 the credit balance amounted to PLN 4,095 thousand;

The Issuer's entity, PRK7 Nieruchomości Sp. z o.o. repaid in 2014 an investment credit in the amount of PLN 16,995 thousand, with interest rate equivalent to WIBOR 1M + margin; as at December 31, 2013, the credit balance amounted to PLN 10,780 thousand.

The Issuer's subsidiary, AB Kauno Tiltai, in 2014 repaid non-interest bearing tax credits in the total amount of PLN 11,182 thousand.

5.2. Information about loans granted during the financial year

A list of loans granted in 2014 by Group companies, including to associates, is presented in the table below.

Lender	Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
Trakcja PRKiI S.A.	PEUIM Sp. z o.o.	1 200	PLN	31.12.2015	WIBOR 1M + margin	1 231	subsidiary
AB Kauno Tiltai	AB Kauno Tiltai Sverige	550	EUR	31.12.2015	fixed interest rate	612	subsidiary
AB Kauno Tiltai	UAB Pletros investicijos	2 234	EUR	31.12.2028	fixed interest rate	4 842	subsidiary
UAB Pletros investicijos	Palangos aplinkelis UAB	1 458	EUR	31.12.2028	fixed interest rate	6 380	subsidiary
UAB Kelda	AB Kauno Tiltai	400	EUR	31.12.2015	fixed interest rate	1 709	subsidiary

5.3. Information about granted and received sureties and guarantees

In 2014, the Issuer or its subsidiaries did not grant any sureties for credits or loans and did not grant any guarantees to one entity or a subsidiary of such entity, the total value of which would constitute an equivalent of at least 10% of the Issuer's equity.

5.4. Inflows from issue of securities

During the period covered by the report, Trakcja PRKiI did not issue any securities, thus it did not obtain any inflows from issue of securities.

In Q4 2014, the Parent Company conducted a shares split process at the ratio of 8:1 with a simultaneous increase of their nominal value. The conducted shares split process did not result in any inflows. Details about the shares split process are described in Section 4.1 hereof.

On December 18, 2014, the Parent Company purchased for redemption purposes 17,914 E-series bearer bonds with the nominal value of PLN 1,000 each and the total nominal value of PLN 17,914.

After the balance sheet date, i.e. on January 22, 2015 the Management of Krajowy Depozyt Papierów Wartościowych S.A. passed a resolution on withdrawing 17,914 of E-series bearer bonds from the deposit maintained by KDPW. As a result, after the redemption, as at January 26, 2015 there remained 3,007 E-series bearer bonds marked with the ISIN code: PLTRKPL00089.

5.5. Significant off-balance sheet items

	31.12.2014 Audited	31.12.2013 Modified
Contingent receivables		
From related entities due to:	**7 237**	**716**
Received guarantees and sureties	7 237	716
From related entities due to:	**152 899**	**182 355**
Received guarantees and sureties	143 433	167 837
Bills of exchange received as collateral	9 466	14 518
Total contingent receivables	**160 136**	**183 071**
From related entities due to:		
From related entities due to:	**7 237**	**716**
Provided guarantees and sureties	7 237	716
From other entities due to:	**2 332 865**	**3 076 804**
Provided guarantees and sureties	468 567	598 066
Promissory notes	403 850	493 193
Mortgages	307 284	237 118
Assignment of receivables	1 014 748	1 575 012
Assignment of rights under insurance policy	60 777	71 045
Security deposits	33 981	58 336
Other liabilities	43 658	44 034
Total contingent liabilities	**2 340 102**	**3 077 520**

Contingent receivables on account of provided guarantees and sureties include guarantees granted by banks, insurance companies or other entities in favour of Trakcja Group constituting a security of the Group's claims against an investor on account of the performed construction contracts.

Contingent liabilities on account of provided guarantees and sureties include above all guarantees granted by banks and insurance companies in favour of the Group companies constituting a security of their claims against the Group on account of the performed construction contracts. The banks are entitled to back claims against the companies of the Group. Promissory notes constitute another form of collateral of bank guarantees, as stipulated above.

5.6. Important court cases and disputes

During the period covered by the financial statements, the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authorities, relating to the Company's liabilities, whose value, individually or in total, exceeded 10 percent of the equity of Trakcja PRKiI S.A.

As at December 31, 2014, during the reporting period there were pending court proceedings concerning the Company's claims and the individual value of which exceeds 10% of the Company's equity amounting to PLN 55,664,100.89. In the Company's opinion, this claim is due.

Case concerning the claim due from Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in composition bankruptcy in Warsaw.

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

According to the Company's knowledge, a list of claims towards PNI was prepared. Claims of Trakcja PRKiI were accepted in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 due to unpaid invoices and

PLN 294,632.29 due to interest for delay in payment. It was refused to accept receivables due to contractual penalties and other claims in the total amount of PLN 44,956,834.35. The Company does not agree with the refusal to accept the aforementioned part of claims; therefore, an objection was submitted to the judge commissioner concerning the refusal in the aforementioned scope. The court rejected the objection, therefore the Company filed a complaint. The case is pending.

Case pending during the reporting period, ended before the date of publication of these financial statements.

In connection with the contract concluded on May 31, 2010 by the consortium led by Trakcja PRKiI, with PKP PLK S.A., in regard to construction works relating to the complex modernization of the station and routes in LCS Działdowo within the scope of the project POIiŚ 7.1-41: "Modernization of the railway line E-65/C-E 65 at the Warsaw - Gdynia section - LCS Działdowo area", the Company informs that the case for the payment to Trakcja PRKiI by PKP PLK S.A. of a contractual penalty (case described in the report for Q3 2014 and previous reports) as a result of conducted negotiations ended with conclusion of a court settlement on February 04, 2015. Pursuant to this settlement, PKP PLK S.A. undertook to pay to the consortium the amount of PLN 15,740,228.58. As of the date of this report, the above amount was paid by PKP PLK S.A.

5.7. Significant events after the balance sheet date

Significant events after the balance sheet date	**CR**
Significant agreements - construction contracts	
Signing by Trakcja PRKiI S.A. and PKP PLK S.A. the annexe to the material agreement for design and reconstruction of the railway station Łódź Widzew as well as part of the route Łódź Fabryczna – Łódź Widzew from 2,250 km to 7,200 km, including signalling and telecommunications equipment for the entire section Łódź Fabryczna – Łódź Widzew, and modernisation of roundabout line Łódź Widzew – Łódź Chojny – Łódź Kaliska, concluded on June 30, 2011. Appendix changes the date of the contract as at December 14, 2015.	CR 1/2015
Signing by Company and PKP PLK S.A. of the agreement for the "Performance of additional works such as designing and constructing the collision-free two-level crossing of the railway line no. 17 and Niciarniana street in Łódź, under the OPIE 7.1 – 24.2 "Improvement of the Łódź Railway Junction (TEN-t), stage 1, Łódź Widzew – Łódź Fabryczna section"". The net value of the contract PLN 56,045,000.00. The term of the full scope of this contract is divided into parts and the latest of them will be made until August 30, 2016.	CR 2/2015
Signing by Trakcja PRKiI S.A. the Representative of the Consortium and PKP PLK S.A. modifying the material agreement no. 90/104/121/00/17000031/10/I/I of November 30, 2010 with respect to the "Modernisation of E30 railway line, stage 2, Zabrze - Katowice - Cracow section Tender no. 1 - Modernisation of the following sections: Jaworzno Szczakowa – Trzebinia (15,810 - 29,110 km of line no. 133) Jaworzno Szczakowa – Sosnowiec Jęzor (0,000 – 6,847 km of line 134)". Under the agreement has been modified time limit for completion of the works until june 30, 2015 and the scope of work which will be the new net value PLN 55.860.846,48.	CR 3/2015
Making a settlement by Consortuim Trakcja Polska and PKP PLK S.A. the Agreement concluded on 31 May 2010 with respect to the performance of construction works of the comprehensive modernisation of rail station and route in the area LCS Działdowo under OPI&E 7.1-41: "Modernisation of railway line E-65/C-E 65 in the section Warsaw - Gdynia - LCS Działdowo". Making the pre-court Agreement with the Ordering Party, on the basis of which the Ordering Party is obliged to pay for the benefit of the Consortium the amount of PLN 15,740,228.58. Additionally, regardless of the Agreement, the Ordering Party undertakes to pay the Consortium the amount of PLN 7,259,771.42 to cover the costs of performing the Contract in the extended period of time and the Contract Engineer accepted the gross amount of PLN 17,997,919.06, which the Ordering Party undertook to pay for the benefit of the Consortium.	CR 6/2015
Changes in the composition of the Management Board	
On February 19, 2015 Mr Roman Przybył submitted his resignation from the position of the President of the Management Board. The reasons of the resignation are indicated as personal. In conjunction with the resignation tendered by Mr Roman Przybył the Supervisory Board today appointed Mr Jarosław Tomaszewski, Chief Financial Officer and the Vice-President of the Management Board, as the acting President of the Management Board. Moreover the Supervisory Board accepted withdrawal of Miss Marita Szustak's statement of resignation from being member of the Management Board.	CR 8/2015

Other	
On January 12, 2015 the company gave dates of publication of periodic reports in 2015.	CR 4/2015
On January 22, 2015 the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. adopted a resolution in which it stated that in relation to the Company's redemption of 17 914 series E bonds issued by the Company, marked with code PLTRKPL00089 with the nominal value of PLN 1000.	CR 5/2015
On February 11, 2015 based on the received initial reports on valuation of assets included in the investment real estate portfolios of the Issuer and companies in the Group of Companies, the write-down on investment real estates was made in the amount of PLN 7,264,000.00. The amount of write-down on investment real estates solely owned by the Issuer was PLN 7,608,000.00.	CR 7/2015
On February 20, 2015, due to the performance of impairment test of goodwill assigned to the cash generating unit, which consists of the following subsidiaries: Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o., Dalba Sp. z o.o. and Przedsiębiorstwo Drogowo-Mostowe Białystok S.A., has decided to write-off the value of that asset in Trakcja Group's consolidated balance sheet in the amount of 37 431 thousand PLN.	CR 9/2015
On March 11, 2015 the Management Board of Trakcja PRKiI S.A. decided to recognize as at 31 December 2014 write-off of trade receivables from a non-related company in the amount of 5.163 thousand PLN.	CR 11/2015

CR - current report

5.8. Transactions with affiliated parties

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

Detailed information about transactions with related entities is presented in Note 58 to the Consolidated Financial Statements of Trakcja Group for 2014.

5.9. Remuneration of the Management Board members and Supervisory Board members

The total value of remuneration and other benefits for members of the Management Board of the Parent Company in 2014 is presented in the table below.

		Parent company				Subsidiaries			
Management Board of the Parent Company*		**Remunaration**	**Awards**	**Other benefits**	**Total**	**Remunaration**	**Awards**	**Other benefits**	**Total**
Roman Przybył	President of Management Board to 19.02.2015	895	539	67	**1 501**	254	-	-	**254**
Jarosław Tomaszewski	Management Board since 20.02.2015, during 2014 Vice-President of Management Board	599	49	4	**652**	-	-	-	**-**
Marita Szustak	Vice-President of the Management Board	720	266	50	**1 036**	-	-	-	**-**
Stefan Dziedziul	Vice-President of the Management Board	720	709	7	**1 436**	-	-	-	**-**
Nerijus Eidukevičius	Vice-President of the Management Board	60	221	-	**281**	491	475	-	**966**
Tadeusz Kałdonek	Vice-President of the Management Board to 12.06.2014	216	442	455	**1 113**	-	-	-	**-**
Rodrigo Pomar López	Vice-President of the Management Board to 12.06.2013	-	-	1 050	**1 050**	-	-	-	**-**
Total		**3 210**	**2 226**	**1 633**	**7 069**	**745**	**475**	**-**	**1 220**

**) Amount of remuneration in account of the compensation in case of resignation or removal from the position.*

The amount of PLN 7,069 thousand was charged to the expenses of the Parent Company and the remaining amount, i.e. PLN 1,220 thousand was charged to the costs of subsidiaries.

Remunerations and other benefits of members of the Supervisory Board of the Parent Company in 2014 are presented in the table below.

		Parent company				Subsidiaries			
Supervisory Board of the Parent Company		**Remunaration**	**Awards**	**Other benefits**	**Total**	**Remunaration**	**Awards**	**Other benefits**	**Total**
Maciej Radziwiłł	Chairman of the Supervisory Board	240	-	-	240	-	-	-	-
Andrzej Bartos	Member of the Supervisory Board	66	-	-	66	-	-	-	-
Wojciech Napiórkowski	Member of the Supervisory Board	66	-	-	66	-	-	-	-
Julius Stalmokas	Member of the Supervisory Board	66	-	-	66	-	-	-	-
Miquel Llevat Vallespinosa	Member of the Supervisory Board	-	-	-	-	-	-	-	-
Jorge Miarnau Monserrat	Member of the Supervisory Board	-	-	-	-	-	-	-	-
Fernando Perea Samarra	Member of the Supervisory Board	-	-	-	-	-	-	-	-
Total		**438**	**-**	**-**	**438**	**-**	**-**	**-**	**-**

5.10. Agreements concluded between the Parent Company and managing persons

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

Trakcja PRKiI concluded agreements with Management Board Members on prohibition of competition, which provide for a compensation during one year from the termination of employment in the amount of 100% of an average monthly salary due based on the employment contract during the last year of employment with the Company, in case of an early termination of such contracts.

5.11. Important achievements in the area of research and development

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

5.12. Information about the entity acting as the certified auditor

Pursuant to the resolution of the Supervisory Board of Trakcja Group, the entity authorized to audit the financial statements of the Group and the Parent Company is Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. based in Warsaw at Al. Jana Pawła II 19.

On June 10, 2014, the Parent Company concluded an agreement with Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. for:

- a review the semi-annual standalone and consolidated financial statements prepared as at June 30, 2014 according to the International Accounting Standards;
- an audit the annual standalone and consolidated financial statement made as per December 31, 2014 according to the International Accountancy Standards

The agreement was concluded for the period of performing the subject of the contract.

The amount of the remuneration of the certified auditor for services provided to the Parent Company is presented in the table below:

	Financial year ended	
	31.12.2014 Audited	**31.12.2013* Modified**
On account of agreement for financial statement audit	148	110
On account of agreement for financial statement review	77	55
On account of other agreements	-	19
Total	**225**	**184**

**In 2013, the entity authorized to audit financial statements of the Group and the Parent Company was BDO Sp. z o.o. Therefore, amounts presented in the table below for the year ended on December 31, 2013 concern services provided by BDO Sp. z o.o.*

The fee for the audit of the selected entities of Trakcja Group is payable based on separate agreements concluded between the entity authorized to audit financial statements and each of the selected Group companies.

6. REPORT ON APPLICATION OF CORPORATE GOVERNANCE RULES

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

The Parent Company undertook to observe the corporate governance rules included in the document entitled "Good Practices for Companies Listed on the Warsaw Stock Exchange" save for the following rules:

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

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

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

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

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

Explanation:

The Company applies this rule in the following manner: the Issuer's website is not based on the model website, available at the following address: http://naszmodel.gpw.pl/, whereas its layout and content are largely consistent with the content presented in the model website. Adequate communication with investors and analysts is maintained using telephone connections and by e-mail. The Parent Company does not intend to implement any new communication methods, as the ones used so far have been, in its opinion, sufficiently effective.

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

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

The Parent Company does not apply the aforementioned recommendation.

Explanation:

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

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

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

The Parent Company does not apply the aforementioned recommendation. Currently, the share of women in the Company's Management Board is at 1:3, including Ms Marita Szustak, Vice-President of the Board.

Explanation:

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

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

If the company supports various forms of artistic and cultural expression, sports activity or in the area of education and science, and perceives its activity in this scope as an element of its business mission and development strategy, affecting the innovation of the enterprise and its competitiveness, a good practice is to publish - in the manner adopted by the company - the rules of conducting business in this scope.

The Parent Company does not apply the aforementioned recommendation.

Explanation:

The Issuer supports sports activity, of which it informs on the website. The Public Entity does not publish rules of conducting activity in this area, because the Company's support takes place in regard to defined projects and does not have a cyclical nature. The Issuer will consider the possibility to comply with the aforementioned rule in the future.

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

The Company should ensure shareholders a possibility to perform, personally or through a representative, the voting right during a general meeting, apart from the location of the general meeting, using electronic communication means.

The Parent Company does not apply the aforementioned recommendation.

Explanation:

The rule will not be applied, since the Public Company does not conduct detailed registration of the course of the General Meeting, including all speeches and questions of shareholders. Participants of General Meetings, pursuant to the provisions of the code of commercial companies, are entitled to submit written statements, which are attached to the minutes of General Meetings. In the opinion of the Parent Company the aforementioned rules ensure transparent course of the General Meeting.

The Issuer does not have an appropriate technical infrastructure to professionally and safely record the course of General Meetings. Moreover, in the opinion of the Parent Company, existing forms of recording and the course of General Meetings ensure transparency and protect the rights of all shareholders. The course of the Issuer's General Meetings is recorded in line with applicable laws. Whereas the content of resolutions undertaken at General Meetings is made available by the Parent Company in the form of current reports, as well as placement on the Issuer's website.

The use of the aforementioned means of communication is, in the Issuer’s opinion, risky due to potential technical problems. The Parent Company will consider the possibility to apply the aforementioned rule.

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

Before a company concludes a significant agreement with a related entity, its Management Board should request the approval of the transaction/agreement by the Supervisory Board. This obligation does not apply to typical transactions made at arm’s length in the framework of the operating business by the company with a subsidiary, in which the company holds a majority stake. For the purpose of this set of rules, the definition of the related entity is adopted within the meaning of the Regulation of the Minister of Finance issued under Article 60 item 2 of the Act on Public Offering and on Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies of July 29, 2005 (Journal of Laws of 184, item 1539, as amended).

The Parent Company partially applies the aforementioned rule.

Explanation:

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

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

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

The Parent Company partially applies the aforementioned rule.

Explanation:

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

8. Rule referred to in part IV item 1 of the Good Practices

Media representatives should be allowed to be present on general meetings.
The Parent Company does not apply the aforementioned rule.

Explanation:

Currently, the Communications Department provides media representatives with current information in the form of press releases.

9. Rule referred to in part IV item 10 of the Good Practices

The Company should ensure that its shareholders may participate in the General Meeting of Shareholders through the use of electronic communication means. The preceding should involve:

1) Transmission of the general meeting in a real time,
2) Bilateral communication in a real time allowing for the shareholders to express their opinions in the course of the general meeting even though they are in a place other than the venue of the meeting,

The Parent Company does not apply the aforementioned rule.

Explanation:

Pursuant to Article 406 of the Code of Commercial Companies, the current text of the Issuer's Statute does not foresee a possibility to participate in the general meeting using electronic communication means, which covers the aforementioned manners of communication.

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

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

1) liquidation of the Company;
2) increasing the Company's share capital, redemption of the Company's shares and decreasing the Company's share capital;
3) issue of convertible bonds or other securities which grant voting rights to the holder;
4) granting options which give the right to acquire shares or other securities of the Company and defining the conditions of such options;
5) depriving the Shareholders of the right to acquire new issue shares;
6) sale of the enterprise or an organized part thereof;
7) removal or suspension of members of the Management Board or Supervisory Board;
8) merger of the Company with another company, division and transformation of the Company;
9) cancelling dematerialization of the Company's shares;

10) changes of the Statute

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

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

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

6.3.1. The Management Board

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

- Jarosław Tomaszewski - Acting President of the Management Board;
- Marita Szustak - Vice-President of the Management Board;
- Stefan Dziedziul - Vice-President of the Management Board;
- Nerijus Eidukevičius - Vice-President of the Management Board;

During the last financial year, the Mr Tadeusz Kałdonek left the Issuer's Management Board as he was not appointed for another term of office by the General Meeting.

On December 31, 2014, Mr Stefan Dziedziul and Ms Marita Szustak submitted statements on resigning from their functions of a member of the Company's Management Board.

On February 19, 2015, Mr Roman Przybył resigned from the function of the President of the Management Board of Trakcja PRKiI for personal reasons. In connection with the resignation of Mr Roman Przybył, the Company's Supervisory Board entrusted the duties of the President of the Management Board with Mr Jarosław Tomaszewski, Finance Director and current Vice-President of the Management Board.

On February 19, 2015, the Supervisory Board of the Company accepted the statement of Ms Marita Szustak on withdrawing the resignation from fulfilling the function of a member of the Company's Management Board.

The Parent Company’s Management Board operates on the basis of provisions of the Commercial Companies Code, the Company’s Statute and the Regulations of the Management Board. Pursuant to the Company's Statute, the Management Board consists of no more than 10 persons, appointed and removed by the Supervisory Board, however if due to: (i) a change of Article 13.1, 13.4 of the Statute, (ii) a change of relevant law regulations, (iii) selection of the Supervisory Board in a manner defined in Article 385 § 5 and (or) 6 of the Code of Commercial Companies, the main shareholder of COMSA cannot appoint such number of members of the Supervisory Board that would constitute a majority of its members, COMSA shall be entitled to appoint and remove Management Board members in the number equivalent to 50% of all Management Board members (rounded down to a full number) and additionally one Management Board member. If the number of Supervisory Board members appointed by COMSA stops being a majority of Supervisory Board members then a resolution of the General Meeting concerning removal or suspension of a member (members) of the Management Board appointed by COMSA is undertaken with 2/3 of votes cast.

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

6.3.2. Authorised signatories

The Parent Company's authorised signatories include:

- Elżbieta Okuła
- Jan Sęktas
- Marek Mazur

The aforementioned authorized signatories submit statements on behalf of the Company acting jointly with a Management Board member pursuant to Article 20 of the Company's Statute. No new authorised signatories were appointed in the last financial year. Whereas, in 2014 the Company's Management Board decided to revoke the power of attorney for Mr Piotr Sykuła.

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

6.3.3. The Supervisory Board

The Issuer's Supervisory Board consists of:

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

In the last financial year, the composition of the Supervisory Board has not changed.

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

The Parent Company's Supervisory Board operates on the basis of provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Supervisory Board. The Supervisory Board currently consists of seven members. The Supervisory Board consists of its Chairman, two Vice-Chairmen and other members. The term of the Supervisory Board shall be three years.

Members of the Supervisory Board are appointed and removed by the General Meeting, whereas the main shareholder, COMSA S.A. is entitled to appoint and remove four members of the Supervisory Board by way of a written statement submitted to the Company. If the number of members of the Supervisory board is higher or lower than seven due to a change of Article 13.1 of the Statute or relevant law regulations, COMSA will be entitled to appoint and remove members of the Supervisory Board in a number equal to 50% of all Supervisory Board members (rounded down to a full number) and additionally one Supervisory Board member.

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

1) not be a member of the Management Board of the Company or a related company, or fulfil such function during the last five years;
2) not be an employee of the Company or a related company, or fulfil such function during the last three years;
3) not receive, currently or in the past, significant additional remuneration from the Company or a related company, apart from remuneration received due to fulfilling the function of a Supervisory Board member;
4) not be, or not represent, in any manner, a majority shareholder or any shareholder with at least 5% of votes at the General Meeting;
5) not have currently, or during the last year, any significant business relations with the Company or a related company, both directly or as a partner, shareholder, director or a key employee of an entity having such relations;
6) not be currently or during the last three years a partner or employee of a current or former external auditor of the Company or a related company;
7) not be a managing director or an executive director in another company, in which a member of the Company's Supervisory Board is a non-executive director or a supervisory director and not have any other significant relations with members of the Company's Management Board through activity in other companies or entities;
8) not fulfil a role of a member of the Supervisory Board for more than three terms of office;
9) not be a close family member of an executive director or managing director or persons referred to in Section 1) to 8).

The Supervisory Board, which composition does not include an independent member of the Supervisory Board, regardless of the reasons of such circumstances, has ability to undertake valid resolutions.

If COMSA S.A. does not appoint a Supervisory Board member (members) within twenty one days from the date of expiry of the mandate of a Supervisory Board member (members) appointed by COMSA S.A., such Supervisory Board member (members) should be appointed and revoked by the General Meeting until COMSA exercises its right. In case of COMSA S.A. exercising its right to select the Supervisory Board member, the mandate of a Supervisory Board member (members) appointed by the General Meeting pursuant to this provision shall expire automatically without influencing the term of office of the Supervisory Board.

The Supervisory Board, which due to the expiry of a mandate of a Supervisory Board member (members) (for reasons other than revocation) consists of less than seven but at least five members, has ability to undertake valid resolutions until the appointment of missing Supervisory Board members.

If the Supervisory Board is appointed in the manner defined in Article 385.5 or 6 of the Code of Commercial Companies, the Chairman shall be appointed by COMSA S.A. from among the candidates selected in the manner defined in Article 385.5 or 6 of the Code of Commercial Companies.

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

The works of the Supervisory Board are managed by its Chairman and in the case of his/her absence by the Chairman Deputy. The members of the Supervisory Board may be reappointed for a new term of office. The members of the Supervisory Board shall be involved in the activities of the Supervisory Board personally. The Supervisory Board may also adopt its resolutions without holding meetings of the Board, in writing or with the use of means of direct communication over distance. Meetings of the Supervisory Board shall be convened at least four times per year by the Chairman, who chairs the meeting. In the absence of the Chairman, the meetings are chaired by one of the Vice-Chairmen. The Chairman convenes the meetings of the Supervisory Board also upon a written motion of the Company's Management Board or the Supervisory Board member. The Chairman selects the Secretary of the Supervisory Board. A resolution of the Supervisory Board may be adopted at a meeting if all the board members have been invited in writing (such invitations should be delivered to the Supervisory Board members at least seven days before the day on which the meeting is to take place) and at least half of the members are present at the meeting, including the Chairman and at least one Vice-Chairman. A meeting of the Supervisory Board may also be valid without being formally convened, if all the Supervisory Board members are present at the meeting and none of the members protests against such a meeting being held or against any of the matters included in the agenda. Subject to Article 388.4 of the Code of Commercial Companies, the Supervisory Board may also adopt its resolutions in writing or with the use of means of direct communication at distance. In such case, a draft resolution should be presented to all members of the Supervisory Board by its Chairman, and in case of his absence, by one of the Vice-Chairmen.

The Supervisory Board has the authority to continuously supervise the operations of the Company. The Supervisory Board's resolutions are required in matters reserved for the Supervisory Board in the Commercial Companies Code and in Article 16 and Article 16A of the Company's Statute. The Supervisory Board appoints the Company's certified auditor. Resolutions of the Supervisory Board shall be adopted by a simple majority of votes. If there is no majority, the vote of the Chairperson of the Supervisory Board shall prevail.

On July 25, 2013, the Company's Supervisory Board appointed, among its members, the following members of the Audit Committee: Mr Wojciech Napiórkowski (the Chairman of the Audit Committee), Mr Fernando Perea Samarra (a member of the Audit Committee) and Mr Maciej Radziwiłł (a member of the Audit Committee).

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

6.4. Description of basic features of external audit and risk management systems with reference to the process of preparation of consolidated financial statements

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

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

In 2014 the Parent Company maintained accounting books in Microsoft Dynamics AX. The structure of the system ensures a transparent allocation of competences, consistent records of operations in the ledgers and cross-validation between defined modules.

The consolidated financial statements are prepared based on uniform consolidation packages prepared in an electronic form by the respective Group companies. The process of data consolidation is conducted in the Stock Exchange Reporting Department of the Parent Company under the supervision of the Vice-President of the Management Board - Finance Director.

The Supervisory Board assesses the separate and consolidated financial statements and appoints the Audit Committee being an advisory and opinion-generating body operating within the structures of the Supervisory Board. The main goal of the Audit Committee is to support the Supervisory Board in conducting financial supervision and providing the Supervisory Board with measurable information and opinions allowing to effectively make proper decisions in terms of financial reporting, internal control and risk management, and ensuring independence and objectivity of the entity authorized to audit financial statements.

Pursuant to applicable laws, the Parent Company's financial statements are annually audited and semi-annually reviewed by an independent certified auditor. The selection of the certified auditor is made by the Issuer's Supervisory Board from among renowned auditing companies based on recommendations of the Audit Committee. Within the scope of audit works, the certified auditor makes an independent assessment of the reliability and correctness of separate and consolidated financial statements and confirms the effectiveness of the internal control and risk management system.

6.5. Indication of the set of corporate governance rules applicable to the Issuer and the place where it is publicly available

In 2014, Trakcja PRKiI SA applied the set of corporate governance rules collected in the document entitled "Good Practices of Companies Listed on the WSE" published in Appendix to the Resolution No. 12/1170/2007 of the WSE Supervisory Board dated July 04, 2007, amended by Appendix to the Resolution No. 19/1307/2012 dated November 21, 2012.

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

6.6. Specification of shareholders holding directly or indirectly significant shareholdings

According to the Issuer's Management Board knowledge, the status of Shareholders possessing directly or through subsidiaries at least 5% of the general number of votes at the General Meeting on the date of approving these statements is as follows:

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	14 802 280	28,80%	14 802 280	28,80%
ING OFE	7 605 842	14,80%	7 605 842	14,80%
OFE PZU	4 349 650	8,46%	4 349 650	8,46%
Pozostali akcjonariusze	24 641 776	47,94%	24 641 776	47,94%
Razem	**51 399 548**	**100,00%**	**51 399 548**	**100,00%**

After the shares split, the Issuer did not receive any notification about a change of the share in the votes at the Company's General Meeting by current Shareholders who possess, directly or through their subsidiaries, at least 5% of the general number of votes at the General Meeting. Therefore, the number of shares presented in the table was determined by way of dividing by 8 (the shares split ratio was 8:1) and rounding up the total number of shares held by individual Shareholders, according to information possessed by the Company on the date of commencing the shares split process.

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

All shares of Trakcja PRKiI are ordinary shares providing no special rights.

6.8. Specification of any restrictions on voting rights

Resolutions at the General Meeting are passed with an absolute majority of votes cast, whereas resolutions concerning:

1) liquidation of the Company;
2) increasing the Company's share capital, redemption of the Company's shares and decreasing the Company's share capital;
3) issue of convertible bonds or other securities which grant voting rights to the holder;
4) granting options which give the right to acquire shares or other securities of the Company and defining the conditions of such options;

5) depriving the Shareholders of the right to acquire new issue shares;
6) sale of the enterprise or an organized part thereof;
7) removal or suspension of members of the Management Board or Supervisory Board;
8) merger of the Company with another company, division and transformation of the Company;
9) cancelling dematerialization of the Company's shares;
10) changes of the Statute.

passed with a majority of 2/3 (two thirds) of votes cast, or higher majority if required by relevant regulations. Apart from the above restrictions and those following from the commonly applicable regulations, the Company’s internal acts do not introduce any additional restrictions.

6.9. Specification of any restrictions on the transfer of the right to securities issued by Trakcja PRKiI

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

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

Pursuant to the Issuer's Statute, the Management Board is appointed and revoked by the Supervisory Board based on the resolution, however if due to: (i) a change of Article 13.1, 13.4 of the Statute, (ii) a change of relevant law regulations, (iii) selection of the Supervisory Board in a manner defined in Article 385 § 5 and (or) 6 of the Code of Commercial Companies, the main shareholder of COMSA cannot appoint such number of members of the Supervisory Board that would constitute a majority of its members, COMSA shall be entitled to appoint and remove Management Board members in the number equivalent to 50% of all Management Board members (rounded down to a full number) and additionally one Management Board member. If the number of Supervisory Board members appointed by COMSA stops being a majority of Supervisory Board members then a resolution of the General Meeting concerning removal or suspension of a member (members) of the Management Board appointed by COMSA is undertaken with 2/3 of votes cast. The Management Board members are appointed for a joint 3-year term of office. Pursuant to the Statute, the Management Board manages the Company’s affairs and represents the Company in external relationships. The Management Board has the authority to decide on matters which have not been reserved for competences of the General Meeting of Shareholders or the Supervisory Board. Two Management Board members acting jointly or one Management Board member together with the authorised signatory are authorised to make representations and to sign on behalf of the Company. An attorney is authorised, pursuant to a resolution adopted by the Management Board, to take certain actions on behalf of the Company (to the extent permitted by the power of attorney). Rules concerning decisions about issuance or purchase of shares (increasing or decreasing the share capital) are reserved for the General Meeting, which undertakes resolutions with a majority of 2/3 of votes cast.

6.11. Description of rules for changing the Statute of Trakcja PRKiI

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

In the last balance sheet year, pursuant to the resolution of the Extraordinary Shareholders Meeting of October 16, 2014 passed with the required majority of 3/4 of votes, Article 21 of the Company's Statute was changed in the scope of amending the structure of the Company's share capital. The Extraordinary Shareholders Meeting authorized the Supervisory Board to determine a uniform text of the Company's Statute, which was then adopted pursuant to the resolution of the Supervisory Board of November 24, 2014.

Warsaw, on March 16, 2015

Jarosław Tomaszewski	Marita Szustak
Acting President of the Management Board	Vice-President of the Management Board
Stefan Dziedziul	Nerijus Eidukevičius
Vice-President of the Management Board	Vice-President of the Management Board

MANAGEMENT BOARD'S STATEMENT

To the best of our knowledge, the consolidated financial statements of Trakcja Capital Group for the period from January 1, 2014 to December 31, 2014 and the comparative data for the period from January 01, 2013 to December 31, 2013 have been prepared in compliance with the accounting principles in force and reflect the Group's assets and financial standing as well as its financial profit or loss in a true, reliable and clear manner. The Management Board's report on the activities of the Issuer's Group presents a true picture of the development, achievements, risks, threats and condition of Trakcja Group.

We also represent that the entity authorised to audit the financial statements which examines the annual consolidated financial statements of Trakcja Group for the 12-month period ended December 31, 2014, Deloitte Polska Sp. z o.o., was appointed in accordance with the provisions of law. That entity as well as the certified auditors, who conduct the audit, fulfilled the conditions for expressing an unbiased and independent opinion about the audit as required by the binding provisions of law and professional standards.

Jarosław Tomaszewski

Acting President of the Management Board

Marita Szustak

Vice-President of the Management Board

Stefan Dziedziul

Vice-President of the Management Board

Nerijus Eidukevičius

Vice-President of the Management Board

Warsaw, on March 16, 2015

TRAKCJA
CAPITAL GROUP

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR

ENDED ON DECEMBER 31, 2014

APPROVAL OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

The Management Board of Trakcja PRKiI SA has approved the consolidated financial statements of Trakcja Capital Group for the period from January 1, 2014 to December 31, 2014.

The annual consolidated financial statements for the period from January 1, 2014 to December 31, 2014 was prepared in line with the International Financial Reporting Statements ("IFRS") approved by the European Union, applicable as at December 31, 2014. Information included herein is presented in the following sequence:

1. Consolidated profit and loss account for the period from January 1, 2014 to December 31, 2014 presenting net profit amounting to PLN **50,391** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2014 to December 31, 2014 presenting total comprehensive income amounting to PLN **50,043** thousand.
3. Consolidated balance sheet as at December 31, 2014 presenting assets and liabilities in the amount of PLN **1,445,816** thousand.
4. Consolidated cash flow statement for the period from January 1, 2014 to December 31, 2014 presenting a decrease in net cash balance by PLN **23,770** thousand.
5. Statement of changes in consolidated equity for the period from January 1, 2014 to December 31, 2014 presenting an increase in consolidated equity by PLN **51,131** thousand.
6. Additional information and explanations.

The annual consolidated financial statements were prepared in thousand Polish Zloty, except where expressly indicated otherwise.

Certain financial and operational data included in these consolidated financial statements have been rounded. Therefore, total amounts in the given column or row in certain tables presented in the statements may differ from the total amount presented for such column or row.

Jarosław Tomaszewski	Marita Szustak
Acting President of the Management Board	Vice-President of the Management Board
Stefan Dziedziul	Nerijus Eidukevičius
Vice-President of the Management Board	Vice-President of the Management Board

Warsaw, on March 16, 2015

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(data in PLN thousand, unless indicated otherwise)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
		Audited	Modified*
Continued operations			
Sales revenues	**13**	**1 601 674**	**1 274 222**
Cost of goods sold	**14**	**(1 399 546)**	**(1 180 981)**
Gross profit on sales		**202 128**	**93 241**
Cost of sales, marketing and distribution	14	(5 591)	(8 007)
General and administrative costs	14	(66 597)	(56 129)
Other operating revenues	15	2 310	14 298
Other operating costs	16	(11 761)	(4 692)
Share of profit of entities consolidated using equity method	27	2 786	1 880
Goodwill impairment	24	(37 431)	-
Operating profit		**85 844**	**40 591**
Financial revenues	17	1 896	3 194
Financial costs	18	(18 926)	(20 651)
Gross profit		**68 814**	**23 134**
Income tax	19	(18 423)	6 861
Net profit from continued operation		**50 391**	**29 995**
Discontinued operations			
Net profit (loss) from discontinued operations	20	-	-
Net profit for the period		**50 391**	**29 995**
Attributable to:			
Shareholders of Parent entity		49 537	29 908
Non-controlling interests		854	87
Profit per share attributable to shareholders in the period (PLN per share)			
Basic	21	0,96	0,61
Diluted	21	0,96	0,61

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

(data in PLN thousand, unless indicated otherwise)

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
		Audited	Modified
Net profit for the period		**50 391**	**29 995**
Other comprehensive income:			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		**(2 091)**	**4 444**
Profit from revaluation referred into revaluation reserve		-	5 762
Actuarial gains/(losses)	37	(2 091)	(1 318)
Other comprehensive income that will be reclassified to profit or loss:		**1 743**	**2 708**
Foreign exchange differences on translation of foreign operations		6 798	3 070
Cash flow hedging instruments	41	(5 055)	(362)
Total other comprehensive income		**(348)**	**7 152**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**50 043**	**37 147**
Attributable to:			
Shareholders of Parent entity		50 519	37 154
Non-controlling interests		(476)	(7)

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

(data in PLN thousand, unless indicated otherwise)

CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.12.2014	31.12.2013	1.01.2013
		Audited	Modified*	Modified*
Non-current assets		**719 867**	**721 913**	**698 580**
Tangible non-current assets	22	185 657	180 115	185 711
Intangible assets	25	60 169	60 161	59 875
Goodwill from consolidation	24	342 265	375 217	372 918
Investment properties	23	22 960	30 324	17 800
Investments in entities accounted using equity method	27	11 430	8 644	6 775
Investments in other units		131	24	24
Other financial assets	26	56 013	25 665	26 742
Deferred tax assets	19.3	35 863	39 871	25 239
Construction contracts	32	3 972	-	-
Prepayments	28	1 407	1 892	3 496
Current assets		**725 949**	**776 004**	**529 717**
Inventory	29	59 977	103 155	92 997
Trade and other receivables	30	521 885	497 617	150 602
Other financial assets	26	10 412	35 095	26 422
Cash and cash equivalents	31	61 846	83 599	121 143
Prepayments	28	4 736	8 486	6 749
Construction contracts	32	67 093	48 052	131 804
Total assets		**1 445 816**	**1 497 917**	**1 228 297**
Equity and liabilities				
Equity attributable to shareholders of Parent entity	**34**	**671 910**	**621 112**	**488 281**
Share capital		41 120	41 120	23 211
Basic conditional capital		-	-	18 545
Due payments for basic capital (negative value)		-	-	(18 545)
Share premium		309 984	310 102	231 813
Revaluation reserve		6 790	6 811	1 066
Other capital reserves		249 258	224 735	240 706
Retained earnings		49 537	29 908	(13 879)
Foreign exchange differences on translation of foreign operations		15 221	8 436	5 364
Non-controlling interests	**35**	**2 593**	**2 260**	**1 768**
Total equity		**674 503**	**623 372**	**490 049**
Long-term liabilities		**151 338**	**112 618**	**153 588**
Interest-bearing loans and borrowings	38	101 231	19 523	97 911
Bonds	39	-	49 926	12 913
Provisions	36	4 912	4 226	3 718
Liabilities due to employee benefits	37	11 961	10 318	9 552
Provision for deferred tax	19.3	27 132	28 055	29 494
Derivative financial instruments	41	6 102	570	-
Short-term liabilities		**619 975**	**761 927**	**584 660**
Interest-bearing loans and borrowings	38	30 082	167 125	37 131
Bonds	39	32 360	-	147 761
Trade and other liabilities	42	388 616	371 355	240 467
Provisions	36	21 895	18 923	9 711
Liabilities due to employee benefits	37	10 623	9 352	8 644
Income tax liabilities		6 002	4 527	2 636
Derivative financial instruments	41	386	-	59
Other financial liabilities	40	38 338	34 718	-
Accruals	45	370	70	94
Construction contracts	32	87 352	155 026	133 660
Advances received towards flats	46	3 951	831	4 497
Total equity and liabilities		**1 445 816**	**1 497 917**	**1 228 297**

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

(data in PLN thousand, unless indicated otherwise)

CONSOLIDATED CASH FLOW STATEMENT

	Note	Financial year ended 31.12.2014	31.12.2013
		Audited	Modified*
Cash flows from operating activities			
Gross profit from continued operations		**68 814**	**23 134**
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		**30 267**	**(48 838)**
Depreciation		23 674	22 686
FX differences		481	696
Net interest and dividends		13 392	14 672
Profit on investment activities		45 075	(4 995)
Share of profits of entities consolidated using equity method		(2 786)	(1 880)
Change in receivables		(21 234)	(361 303)
Change in inventory		38 093	(10 513)
Change in liabilities, excluding loans and borrowings		33 680	190 042
Change in prepayments and accruals		6 054	(7 496)
Change in provisions		1 914	13 414
Change in construction contracts		(94 375)	105 290
Change in financial derivatives		5 803	371
Income tax paid		(12 064)	(8 828)
Other		(8 328)	(2 178)
Foreign exchange differences on translation of foreign operations		888	1 184
Net cash flows from operating activities		**99 081**	**(25 704)**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(8 960)	(5 712)
- acquisition		(12 063)	(9 828)
- sale		3 103	4 116
Cash connected with the loss of control over subsidiaries		-	(4)
Financial assets		(3 064)	(7 622)
- sold or repaid		4 784	38 881
- granted or acquired		(7 848)	(46 503)
Loans		(16)	2 000
- granted		16	2 000
- repaid		(32)	-
Interest received		932	1 523
Net cash flows from investment activities		**(11 108)**	**(9 815)**
Cash flows from financial activities			
Proceeds from payment to capital of a subsidiary from holders of non-controlling interest		1 064	-
Repayment of bonds		(18 541)	(14 040)
Proceeds on account of taken borrowings and loans		200 468	209 733
Repayment of borrowings and loans		(273 882)	(176 604)
Dividend paid to non-controlling interests		(294)	-
Interest paid		(13 048)	(15 249)
Payment of liabilities under financial lease agreements		(7 510)	(7 984)
Other		-	(72)
Net cash flows from financial activities		**(111 743)**	**(4 216)**
Total net cash flows		**(23 770)**	**(39 735)**
Net FX differences		-	-
Cash at start of period		**81 408**	**121 143**
Cash at end of period	**31**	**57 638**	**81 408**
- with limited access		981	912

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

(data in PLN thousand, unless indicated otherwise)

BALANCE OF CHANGES IN THE CONSOLIDATED EQUITY

	Equity attributable to shareholders of parent entity												
	Share capital	**Basic conditional capital**	**Due payments for basic capital (negative value)**	**Share premium**	**Revalua-tion reserve**	**Other reserve capitals**			**Foreign exchange differences on translation of foreign operations**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
						Hedging instruments	**Actuarial gains/ (losses)**	**Results from previous years**					
As at 1.01.2014	**41 120**	**-**	**-**	**310 102**	**8 158**	**(270)**	**(2 665)**	**229 922**	**8 349**	**37 706**	**632 422**	**2 407**	**634 829**
Changes of accounting standards	-	-	-	-	(1 347)	-	-	(2 252)	87	(7 798)	(11 310)	(147)	(11 457)
As at 1.01.2014 After adjustments	**41 120**	**-**	**-**	**310 102**	**6 811**	**(270)**	**(2 665)**	**227 670**	**8 436**	**29 908**	**621 112**	**2 260**	**623 372**
Net profit for the period	-	-	-	-	-	-	-	-	-	49 537	49 537	854	50 391
Other comprehensive income	-	-	-	-	-	(3 724)	(2 079)	-	6 785	-	982	(1 330)	(348)
Distribution of profit	-	-	-	-	-	-	-	29 908	-	(29 908)	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(293)	(293)
Payment to capital of a subsidiary from holders of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	1 088	1 088
Other	-	-	-	(118)	(21)	-	-	418	-	-	279	14	293
As at 31.12.2014	**41 120**	**-**	**-**	**309 984**	**6 790**	**(3 994)**	**(4 744)**	**257 996**	**15 221**	**49 537**	**671 910**	**2 593**	**674 503**

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

(data in PLN thousand, unless indicated otherwise)

	Equity attributable to shareholders of parent entity												
	Share capital	**Basic conditional capital**	**Due payments for basic capital (negative value)**	**Share premium**	**Revalua-tion 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**					
Modified*													
As at 1.01.2013	**23 211**	**18 545**	**(18 545)**	**231 813**	**2 396**	**-**	**(1 347)**	**242 372**	**5 334**	**(11 928)**	**491 851**	**1 792**	**493 643**
Changes of accounting standards	-	-	-	-	(1 330)	-	-	(319)	30	(1 951)	(3 570)	(24)	(3 594)
As at 1.01.2013 After adjustments	**23 211**	**18 545**	**(18 545)**	**231 813**	**1 066**	**-**	**(1 347)**	**242 053**	**5 364**	**(13 879)**	**488 281**	**1 768**	**490 049**
Net profit for the period	-	-	-	-	-	-	-	-	-	29 908	29 908	87	29 995
Other comprehensive income	-	-	-	-	5 762	(270)	(1 318)	-	3 072	-	7 246	(94)	7 152
Losses cover	-	-	-	-	-	-	-	(13 879)	-	13 879	-	-	-
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	-	-	-	96 198	-	96 198
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-		-	-	(297)	-	-	(297)	499	202
Other	-	-	-	-	(17)	-	-	(207)	-	-	(224)	-	(224)
As at 31.12.2013	**41 120**	**-**	**-**	**310 102**	**6 811**	**(270)**	**(2 665)**	**227 670**	**8 436**	**29 908**	**621 112**	**2 260**	**623 372**

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

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

These consolidated financial statements of the Group covers the financial year ended on December 31, 2014 and comparable data.

Trakcja Group ("Group") includes the Parent Company, Trakcja PRKiI S.A. ("Trakcja PRKiI", "Parent Company" or "Company") and its subsidiaries, as well as companies classified as joint venture according to IFRS 11 (see Note no. 2).

Trakcja PRKiI in its present form was established on November 30, 2004 as a result of taking over the control of Trakcja Polska S.A. holding company by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. ("PKRE S.A.”). The name of the Company at the time was Trakcja Polska S.A. and it was changed pursuant to the Resolution No. 2 of the Extraordinary Shareholders Meeting of November 22, 2007. The change was confirmed by an entry in the National Court Register on December 10, 2007. Earlier name of the company was Trakcja Polska - PKRE S.A. The Company operates on the basis of Articles of Association in the form of a notarial deed on January 26, 1995 (Repertory A No. 863/95) as amended.

On September 1, 2009, the District Court for the capital city of Warsaw, 12th Economic Division of the National Court Register, has registered the merger of Trakcja Polska S.A., as an overtaking company, with Przedsiębiorstwo Robót Komunikacyjnych-7 S.A., as an overtaken company. The merger of the companies has been settled and recognized, as of 31 August 2009, in the accountancy books of the company, to which the property of the merged companies was transferred, i.e. Trakcja Polska S.A., according to the pooling of interest method. The actual merger of the companies, according to IFRS 3, took place on the date of taking the control, i.e. on September 1, 2007.

On June 22, 2011, the District Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register (KRS) registered the change of the company name from Trakcja Polska S.A. to Trakcja – Tiltra S.A. The above change was registered pursuant to the Resolution no. 3 of the Extraordinary Shareholders Meeting of June 15, 2011.

On December 21, 2012, the District Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register (KRS) registered the change of the company name from Trakcja - Tiltra S.A. to Trakcja S.A. The above change was registered pursuant to the Resolution no. 3 of the Extraordinary Shareholders Meeting of December 12, 2012.

On December 19, 2013, the District Court for the capital city of Warsaw, 12th Economic Division of the National Court Register, has registered the merger of Trakcja Polska S.A., as the overtaking company, with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. as the overtaken company. The merger of the companies has been settled and recognized, as of December 31, 2013, in the accountancy books of the company, to which the property of the merged companies was transferred, i.e. Trakcja S.A., according to the pooling of interest method.

On December 19, 2013, the District Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register (KRS) registered the change of the company name from Trakcja S.A. to Trakcja PRKiI S.A. The above change was registered pursuant to the Resolution no. 4 of the Extraordinary Shareholders Meeting of November 27, 2013.

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

The registered office of the Parent Company is at ul. Złota 59 in Warsaw. Period of operation of the Parent Company and other companies included in the Group is indefinite.

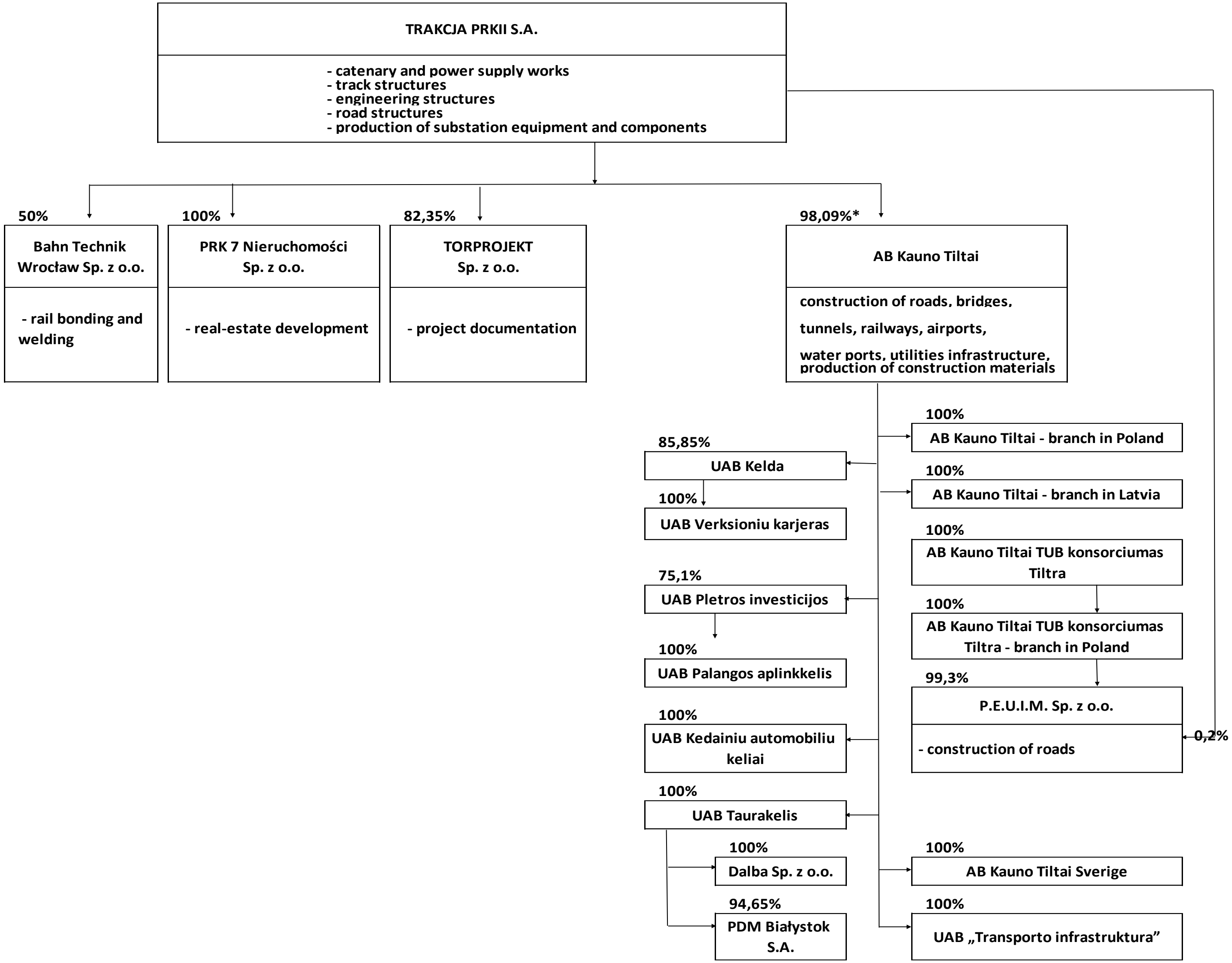
According to the articles of association, the Parent Company is engaged in specialist construction and installation services within the scope of railway and tram lines electrification. The Company specializes in the following types of activity:

- foundation and network works,

- installation of traction substations and section cabs,
- installation of high and low voltage overhead and cable lines,
- Installation of local supply and control cables,
- manufacturing of products (high, medium and low voltage switching stations, traction network equipment and local control devices),
- specialist equipment services (excavators, railway and truck cranes, boring rigs, pile drivers).
- building bridges, viaducts, piers, flyovers, tunnels, underground passings, roads and accompanying elements of rail and road infrastructure.

2. Group Composition

Trakcja PRKiI is the Parent Company of Trakcja Group. The Group's composition and structure as of December 31, 2014 are presented in the diagram below.



**) Trakcja PRKiI holds a total of 98.09% shares (96.84% directly and 1.25%) indirectly) in the share capital of the subsidiary, AB Kauno Tiltai. Indirect shares result from acquisition of own shares by the subsidiary.*

As at December 31, 2014, the Group is composed of the Parent Company, Trakcja PRKiI, subsidiaries, and Bahn Technik Wrocław Sp. z o.o. classified as a joint arrangement pursuant to IFRS 11.

Entities subject to full consolidation method:

PRK 7 Nieruchomości Sp. z o.o.

PRK 7 Nieruchomości Sp. z o.o. runs with a broadly defined real estate development business and has a track record of several successful investments, which include, among others: Lazurowe Osiedle residential project in Warsaw - stage I and II, and the investment at Oliwska in Warsaw, as well as constructing three multi-family residential buildings in Warsaw at ul. Pełczyńskiego. Currently, the Company is executing an investment involving the construction of three terraced houses at ul. Oliwska in Warsaw.

Torprojekt Sp. z o.o.

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

The AB Kauno Tiltai Group

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.

AB Kauno Tiltai with its registered office in Kaunas is a subsidiary in relation to the Parent Company, Trakcja PRKiI, and at the same time the parent company in the AB Kauno Tiltai Capital Group.

The AB Kauno Tiltai Group is composed of the following entities:

- UAB Kelda – a subsidiary with registered seat in Vievis (Lithuania); the company's subsidiary entity is:

  – UAB Verksioniu karjeras (Lithuania);

- UAB Taurakelis – a subsidiary, UAB Taurakelis based in Tauragé (Lithuania) is a parent company in the UAB Taurakelis Group and it does not prepare consolidated financial statements; the Group is consolidated at the Trakcja Group level. In addition, the UAB Taurakelis Group includes the following entities:

  – Dalba Sp. z o.o. - a subsidiary, company with its registered office in Białystok;

  - PDM Białystok S.A. - a subsidiary, company with its registered office in Białystok;

- UAB Kedainiu Automobiliu Keliai – a subsidiary, company with its registered office in Kédainiai (Lithuania);
- UAB Verksioniu karjeras - a subsidiary, company with its registered office in Bagoteliu K (Lithuania);
- TUB Konsorciumas Tiltra - a subsidiary, company with its registered office in Kaunas (Lithuania);
- UAB Pletros investicijos – a subsidiary, company with its registered office in Vilnius (Lithuania);
- UAB Palangos aplinkkelis - a subsidiary, company with its registered office in Vilnius (Lithuania) established to execute contracts within the scope of public and private partnership;
- AB Kauno Tiltai Branch in Poland – a subsidiary, company with its registered office in Vilnius (Lithuania);
- AB Kauno Tiltai Branch in Latvia – a subsidiary, company with its registered office in Rezekne (Latvia);
- AB Kauno Tiltai Sverige - a subsidiary, company with its registered office in Malmo (Sweden);
- UAB “Transporto infrastruktura” - a subsidiary, company with its registered office in Vilnius (Latvia);
- Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. ("PEUIM") is a subsidiary in the road construction sector, the business activities of which are concentrated in North-Eastern Poland. PEUIM was established in 1960 in Białystok. PEUIM specialises in the construction of roads, pavements, installation of signalling and safety devices to secure the roads. Moreover, the Company manufactures bituminous mass, concrete and other building materials.

Entities subject to consolidation pursuant to the equity method:

Bahn Technik Wrocław Sp. z o.o.

Trakcja PRKiI is the owner of 50% of the share capital of Bahn Technik Wrocław Sp. z o.o ("BTW"). The remaining 50% of shares is held by Leonhard Weiss GmbH & Co, a company incorporated under German law, with its registered office in Göppingen. The Group exercises joint control over BTW and classifies the company as a joint venture pursuant to IFRS 11.

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

The parent company of the highest level is a Spanish company, COMSA SA, which prepares consolidated financial statements also covering Trakcja Group.

3. Changes in the Group

In the period from January 1, 2014 to December 31, 2014 the following changes occurred in the structure of Trakcja Group.

As of March 06, 2014, Brux Sp. z o.o. in liquidation ("Brux") was removed from the National Court Register. The Group stopped consolidation of the company as of December 31, 2012 in connection with the resolution on the commencement of liquidation undertaken by the Extraordinary Shareholders Meeting of Brux on December 21, 2012. The Company was liquidated for economic reasons due to the expiry of conducted business.

On July 23, 2014, a new subsidiary of AB Kauno Tiltai was established - AB Kauno Tiltai Sverige. The Company's seat is in Sweden. The reporting currency is the Swedish crown.

On August 08, 2014, a new subsidiary of AB Kauno Tiltai was established - UAB "Transporto Infrastruktura". The Company's seat is in Lithuania. The reporting currency is the Lithuanian litas.

The reasons for the establishment of the aforementioned companies were to develop the business of Trakcja Group.

In Q4 2014, PT Kruszywa Sp. z o.o. in liquidation ("PTK") was removed from the National Court Register. The Group stopped consolidation of the company as of December 31, 2013 in connection with the resolution on the commencement of liquidation undertaken by the Extraordinary Shareholders Meeting of PTK on December 19, 2013. The Company was liquidated for economic reasons due to the expiry of conducted business.

4. Composition of the Parent Company Management Board

As at December 31, 2014, the Management Board of the Parent Company was composed of the following persons:

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

Pursuant to resolutions no's 15-19 of the Supervisory Board of May 15, 2014, the aforementioned persons were established for a new joint three-year term of office. As of June 12, 2014, due to the end of the three-year term of office, Mr Tadeusz Kałdonek stopped being the Vice-President of the Management Board.

On December 31, 2014, Mr Stefan Dziedziul and Ms Marita Szustak submitted statements on resigning from their functions of a member of the Company's Management Board.

On February 19, 2015, Mr Roman Przybył resigned from the function of the President of the Management Board of Trakcja PRKiI for personal reasons. In connection with the resignation of Mr Roman Przybył, the Company's

Supervisory Board entrusted the duties of the President of the Management Board with Mr Jarosław Tomaszewski, Finance Director and current Vice-President of the Management Board.

On February 19, 2015, the Supervisory Board of the Parent Company accepted the statement of Mrs Marita Szustak on withdrawing the resignation from fulfilling the function of a member of the Company's Management Board.

As at the date of the approval of the financial statements, i.e. March 16, 2015, the Management Board of the Parent Company consisted of the following persons:

- Jarosław Tomaszewski - Acting President of the Management Board;
- Marita Szustak - Vice-President of the Management Board;
- Stefan Dziedziul - Vice-President of the Management Board;
- Nerijus Eidukevičius - Vice-President of the Management Board.

5. Composition of the Company's Supervisory Board

As for December 31, 2014, the Supervisory Board of the Parent Company was composed of the following persons:

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

In the period from January 1, 2014 to December 31, 2014 and after the balance sheet date before the publication of these statements, no changes occurred in the composition of the Company's Supervisory Board.

6. Approval for publication of the annual consolidated financial statement

This annual consolidated financial statement has been approved by the Management Board of the Parent Company for publication on March 16, 2015.

7. 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.

Below are presented: the professional judgement of the management, the basic assumptions related to the future and other key sources of uncertainties existing at the balance sheet date for which exists the risk of significant adjustment of balance sheet assets and liabilities in the next financial year.

7.1. Professional judgment

Fair value of financial instruments

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

Classification of leasing agreements

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

Investment properties

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

Allocation of the goodwill as cash flow generating centres

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

Recognition and loss of control over related entities

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

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 arrangement, 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.

Control over subsidiaries

The Parent Company has control over its subsidiaries, if due to its involvement in this unit is exposed to variable returns, or when the Company has the right variable returns, and has the ability to influence these returns through the exercise of authority over the individual. Management of the Company determines that the control of the individual units based on the following elements:

Trakcja PRKiI owns 100% of the share capital of PRK 7 Nieruchomości Sp. z o.o. and has control over the subsidiary. Trakcja PRKiI became the owner of PRK 7 Nieruchomości Sp. z o.o. through a merger of Trakcja with PRK 7 SA, which owned PRK 7 Nieruchomości Sp. z o.o.

Trakcja PRKiI owns 82.35% of the share capital Torprojekt Sp. with o.o and has control over the subsidiary. Trakcja PRKiI became the owner of the company by purchasing shares of Torprojekt.

Trakcja PRKiI owns 98.09% of the share capital of AB Kauno Tiltai and has control over the subsidiary. PRKiI Trakcja became the owner of AB Kauno Tiltai through the purchase of shares of AB Kauno Tiltai, which is also the parent company of the Group AB Kauno Tiltai. Composition of the Group and the percentage of shares held is shown in Note 2 of the Notes concerning the composition and structure of the Group

7.2. Uncertainty of estimates and assumptions

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.

Provisions for correcting works

The provisions for correcting works were estimated based on the knowledge of individual construction sites managers related to necessity or possibility of performing additional works in aid of the Ordering Party, to fulfill the guarantee obligations. Largest companies in Trakcja Group are required to provide a guarantee for their services. The amount of the reserve for correction works depends on the segment in which companies operate and is based on the Group's historical data. This value is subject to individual analysis and can be increased or decreased in justified circumstances. Any change in these estimations affects the value of provisions. The carrying amount of the provisions for correction work at December 31, 2014 is presented in Note 36 of the Additional information and explanations.

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. The carrying amount of the provisions for correction work at December 31, 2014 is presented in Note 36 of the Additional information and explanations.

Valuation of liabilities due to employee benefits

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

Component of deferred tax assets

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

Depreciation rates

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

Investment properties

Investment properties are valued at fair value. Valuations of investment properties were prepared by independent experts with current qualifications to perform such valuations. The selection of the approach and the method was driven by principles defined in IAS 13, the Act on real properties management and in the Regulation of the Council of Ministers on detailed rules of valuation of real properties and on the rules and mode of preparing appraisal reports. Valuation of the fair value of investment properties was subject to such valuation techniques that maximize the use of observable data. Detailed information and the carrying amount of investment properties as at December 31, 2014 are presented in Note 23 Additional information and explanations.

Goodwill impairment

Pursuant to IAS 36, the Management Board of the Parent Entity as at the balance sheet date performs annual impairment tests for cash generating units, to which the goodwill was assigned. The tests require the estimation of the value in use of cash-generating units ("CGU") based on the future cash flows generated by the CGU, which then using the discount rate are adjusted to present value. As at December 31, 2014, the Group performed impairment tests of goodwill. Assumptions and relevant information on the tests carried out are presented in Note 24 of the Additional information and explanations. As a result of the tests carried out on December 31, 2014, the Group stated the impairment of the goodwill allocated to the cash-generating unit consisting of the following companies: PEUiM Sp. z o.o, Dalba Sp. z o.o, PDM Białystok SA in the amount of PLN 37,431 thousand. Details of the impairment loss is presented in Note 24 of the Additional information and explanations.

Impairment of inventory

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

Write-down to trade receivables and other receivables

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

Valuation of fair value and procedures related to such valuation

Some assets and liabilities of the Group are valuated at fair value for purposes of the financial reporting. In valuation of fair value of assets or liabilities the Group uses the available scope of market observable data. Information of valuation techniques and input data is presented in Notes 22, 39 and 46.

8. Basis for preparing the annual consolidated financial statement

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

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

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

In addition, for financial reporting purposes, the fair value measurement is categorized into three levels depending on the extent to which the observable inputs are available and the significance of observable inputs in the valuation process. These levels are as follows:

- Level 1: - prices (unadjusted) of market quotations from active markets for identical assets and liabilities to which the entity has access at the measurement date.

- Level 2: - data other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3: - data are unobservable for the asset or liability.

8.1. Declaration of conformity

The annual consolidated financial statement was prepared according to the International Financial Reporting Standard (IFRS) approved by the European Union and binding as at December 31, 2014.

The standards that did not come into force on 31 December 2014 and were not approved by the European Union at the day of preparing this consolidated financial statement are presented in note No. 9.

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

Currency of measure and currency of financial statements

The measuring currency of the Parent Company and the majority of the companies within the Group and the reporting currency in these annual consolidated financial statements is Polish Zloty. The measuring currency of the companies seated in Lithuania is Litas (LTL), whereas the company seated in Sweden is Sweden Crone (SEK). As at January 1, 2015 the Lithuania entered into euro zone and as a result after the balance sheet date

the financial statements of the companies seated in Lithuania are prepared in euro. The exchange rate at which the financial statements where converted as at January 1, 2015 was 1 EUR=3.45280 LTL.

9. Significant accountancy principles

9.1. Consolidation principles

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

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

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

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

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

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

(data in PLN thousand, unless indicated otherwise)

9.2. Conversion of item in foreign currency

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

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

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

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

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

Exchange rate on the reporting date	**31.12.2014**	**31.12.2013**
USD/PLN	3,5072	3,012
EUR/PLN	4,2623	4,1472
LTL/PLN	1,2344	1,2011
LVL/PLN	5,9009	5,8595

The average exchange rate, calculated as the arithmetic average of the rates prevailing on the last day of each month during the period:	**31.12.2014**	**31.12.2013**
USD/PLN	3,1784	3,1653
EUR/PLN	4,1893	4,2110
LTL/PLN	1,2133	1,2196
LVL/PLN	6,0137	5,9828

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

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

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

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

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

9.3. Tangible fixed assets

9.3.1. Fixed assets

Fixes assets are appraised according to the value of purchase or cost of producing reduced by write offs and any write downs by virtue of value loss. The initial value of fixed assets cover their purchase value increased by all costs directly related to purchase and adaptation of the property component for use. The cost consists of costs of replacement of spare parts in machines and devices at the moment they are incurred, if the recognition criteria are met. Costs incurred after the date the fixed asset is transferred for utilization, such as maintenance and repair costs, burden the profit and loss account at the moment they are incurred.

The balance sheet value of the fixed asset consist of costs of regular, significant overhauls which are necessary to prevent defects and which value within individual reporting periods significantly differs. The overhaul value is amortized within the period until the next overhaul or the end of the utilization period of the fixed asset, depending on whichever comes first. Possible remaining balance sheet value of costs of previous overhaul is removed from the balance sheet value of the fixed asset.

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

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

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

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

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

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

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

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

9.3.2. Fixed assets in construction

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

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

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

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

9.3.3. Right of perpetual usufruct of land

The Group has the right of perpetual usufruct of land. The Group classifies lands on the basis of the way this right has been obtained:

- the right of perpetual usufruct of land is obtained free of charge based on the administrative decision – the right is treated as the operational lease and is included as off-the balance sheet item.
- the right of perpetual usufruct of land is acquired for money from the third parties or through acquisition of subsidiary companies - the right is included in the balance sheet in the item “Material fixed assets” as lands at the purchase price after deducting amortization expenses. Depreciation charges are included in the profit and loss account as general and administrative costs.

The depreciation of the right of perpetual usufruct of land is made throughout the period for which this right has been granted. This period is 99 years.

9.3.4. Leasing

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

Fixed assets used based on the financial lease agreements are amortized for shorter of the below periods: estimated lifetime of the fixed asset or lease period.

The lease agreements, according to which the lessor maintains basically all the risk and all benefits resulting from possessing the leased object, are included among the operating lease agreement. The lease fees by virtue of the operating lease and further lease installments are included as costs in the profit and loss account using the linear method within the period the lease is in force.

9.3.5. Non-current assets classified as intended for sale

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

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

9.4. Investment property

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

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

Determination of fair value can consist of:

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

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

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

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

9.5. Impairment of non-financial assets

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

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

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

9.6. Costs of external financing

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

9.7. Intangible assets

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

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

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

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

9.7.1. Cost of research and development work

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

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

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

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

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

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

9.7.2. Goodwill

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

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

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

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

9.8. Financial instruments

The financial assets can be divided to the following categories:

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

The financial liabilities are divided to:

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

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

The financial assets purchased in order to generate profit thanks to short-term variations of price, are classified as financial assets assessed in fair value by the financial result. The financial assets assessed in fair value by the financial result are assessed in fair value considering their market value at the balance sheet date. Changes in the fair value of these financial assets are taken into account in incomes or financial costs, except the change of value of currency contract with fixed date. The financial assets assessed in the fair value by the financial result are accounted for current assets if the Management Board intends to realize them within 12 months since the balance sheet date.

Loans and liabilities are financial assets not accounted for derivative instruments, of fixed or possible to be fixed payments, not quoted at the active market. The granted loans are included according to the amortized cost. They are included to current assets unless their maturity does not exceed 12 months since the balance sheet date. Loans and liabilities of maturity exceeding 12 months since the balance sheet date are accounted for fixed assets.

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

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

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

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

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

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

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

Impairment of financial assets

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

Financial liabilities

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

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

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

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

Financial liabilities assessed at amortized cost

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

9.9. Investment in the joint arrangements

The Group has an interest in a jointly controlled entity, in which, according to the agreement, the partners have established joint control over the economic activity. The project has been classified as a joint venture in accordance with IFRS 11 and therefore the equity method was applied in the consolidated financial statements.

9.10. Derivative financial instruments

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

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

9.11. Hedging accounting

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

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

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

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

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

9.12. Inventory

Inventory is assessed according to the purchase price or costs of production not higher than their sale price possible to be achieved at the balance sheet date.
The production cost does not include the following costs:

- resulting from unused production capacities and production losses,
- storage costs, unless its payment is necessary during the production process,
- margin on internal turnover (margin on services performed by auxiliary business in aid of the main business and margin on internal sale between different divisions of the main business), that is subject to elimination in relation to the costs of internal turnovers,
- general cost of management and costs of sale, marketing and distribution.

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

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

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

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

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

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

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

9.14. Cash and equivalent

Case and short term investment shown in the balance sheet include cash in bank and cash register and short term investments of initial maturity not exceeding three months.
The Group presents the cash accumulated in trust accounts and accounts blocked in development accounts in the statement of financial position as part of cash and cash equivalents, and for the purposes of the cash flow statement cash and cash equivalents at the beginning and end of the period is reduced by these funds and their change is recognized in as cash flows from operating activities.

9.15. Equity

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

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

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

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

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

Costs of shares emission incurred while establishing the joint stock company or increasing the share capital reduce the share premium.

The other reserves include:

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

Retained earnings include the profit of the current reporting period.

9.16. Interest bearing bank credits, loans and debt securities

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

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

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

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

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

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

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

9.18. Provisions

The provisions are created when the Group is burdened with an obligation (legal or customary) resulting from the past events, and when it is probable that meeting this obligation shall cause the outflow of economic benefits and reliable estimation of the liability amount may be performed. If the Group expects that cost covered by the reserve shall be returned, for example based on the insurance contract, then such return is posted as separated component of assets, but only when it is practically sure that the return shall take place. Costs related to the given provision are posted in the profit and loss account after reduction by any returns.

In case the money in time influence is significant, value of reserve is set by discounting the expected future cash incomes at the current value, using the gross discount rate reflecting the actual market estimation of the value of money in time and possible risk related to the given liability. If the method consisting in discounting is applied, the increase of provision in relation to the time is posted as financial costs.

9.19. Severance payments and jubilee awards

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

Reserves for the jubilee prizes, severance and pension payments as well as other similar employee benefits short and long term character are created in the other operational costs and settled in other operational incomes.

9.20. Prepayments and accruals

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

Write offs of active prepayments and accruals take place appropriately to time and amount of benefit. Time and method of settlement is justified by the character of settled costs, providing caution principle.

In case of prepayments and accruals falling in the following periods, which settlement shall not be completed within 12 months since the balance sheet date, such settlements are presented as a separate item in the balance sheet related to long term prepayment and accruals.

9.21. Incomes and costs

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

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

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

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

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

9.21.1. Sale of goods and products

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

9.21.2. Performing services

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

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

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

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

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

The Group carries out some contracts within the consortium agreements under which the Company acts as the leader of the consortium. Group does not recognize in the income statement the part of revenues and expenses attributable to consortium members - as the IFRS 11.

The Group also recognized in the balance sheet only that part of the assets and liabilities, which is attributable to the Group's interest in jointly controlled operations.

Principles of calculating the revenues on sale:

The revenues on performing a construction and installation service (work) covered by the uncompleted contract are actually borne costs increased by the assumed margin (calculated as %) in the given contract.

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

Su = K/(1-m)

where:

Su – set (established) sale
K – incurred actual costs
m – assumed margin (as %) for the given contract, resulting from the prepared costs budget

Incomes established for the contracts settled in Euro are calculated according to the following principles:
Margin (%) in case of contracts in Euro is calculated every month and it is a function of PLN / EUR exchange rate calculated based on the following formula:

M = (Pp – Kp)/Pp

where:

Pp – conversion incomes
Kp – conversion costs

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

Pp = Pz + Pf * krPLN/EUR

where:

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

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

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

where:

Kz – costs booked in Polish Zloty
Kf PLN – costs to be invoiced in Polish Zloty in the future
Kf EUR– costs to be invoiced in Euro in the future

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

9.21.3. Interests

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

9.21.4. Dividends

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

9.21.5. Developer's business

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

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

9.22. Taxes

9.22.1. Current tax

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

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

9.22.2. Deferred tax

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

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

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

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

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

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

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

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

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

9.22.3. Goods and services tax

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

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

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

9.23. Net profit per share

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

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

9.24. Concession agreements

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

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

- defined or definable amounts, or

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

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

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

10. New standards and interpretations

New standards and interpretations which were published but have not come into force yet

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

The following standards and interpretations were issued by the International Accounting Standards Board or the IFRS Interpretations Committee, and have not yet come into effect as of the balance sheet date:

- *IFRS 9 Financial instruments*

The new standard was published on July 24, 2014 and applies to annual periods starting from January 01, 2018 or later. The purpose of the standard is to clarify the classification of financial assets and to introduce uniform rules on the approach to the assessment of impairment in regard to all financial instruments. The standard also introduces a new model of hedge accounting in order to unify the rules of including risk-management information in financial statements.

The Group will apply amended standards in the scope of executed changes, starting from January 1, 2018.

At the day of preparing this financial statement, it was not possible to reliably estimate the influence of new standard application.

- *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 is temporary due to the pending works of the IASB on regulating the manner of settling operations in price regulation conditions. The standard introduces the rules for recognizing assets and liabilities arising in connection with price-regulated transactions if the given entity decides to shift to IFRS.

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

The application of the changed standards will not influence the Group's consolidated financial statements.

- *IFRS 15 Revenue from Contracts with Customers*

The new unified standard was published on May 28, 2014 and applies to annual periods starting from January 1, 2017 or later, whereas early application is allowed. The standard establishes uniform framework for recognition of revenues and provides for rules, which will replace most of the detailed guidelines in the scope of recognizing revenues currently provided for in the IFRS, in particular IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations.

At the day of preparing this financial statement, it was not possible to reliably estimate the influence of new standard application. The Group commenced the analysis 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, other changes to seven standards were published, related to the project of proposed changes to the International Financial Reporting Standards published in May 2012. They apply to annual periods starting on July 1, 2014 or later.

The Group will apply the changed standards within the scope of introduced changes from January 1, 2015, unless a different period for their entry into force is foreseen.

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

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

On December 12, 2013, other changes to four standards were published, related to the project of proposed 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 the changed standards within the scope of introduced changes from January 1, 2015, unless a different period for their entry into force is foreseen.

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

- *Changes to IAS 19 Employee Benefits*

The change was published on November 21, 2013 and applies to annual periods starting on July 1, 2014 or later. Changes further specify and, in certain cases, simplify the accounting rules concerning contributions of employees (or other third parties) made within the scope of defined benefit plans.

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

The application of the changed standard will not materially influence the Group's consolidated 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 as to in what periods the liability to pay certain public levies should be recognized.

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

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

- *Changes to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations*

The changes in IFRS 11 were published on May 06, 2014 and apply to annual periods starting from January 1, 2016 or later. The purpose of changes is to present detailed guidelines to explain the manner of recognizing the transaction of acquisition of interests in joint operations, which constitute an arrangement. Changes require application of rules identical to the rules applied for mergers.

The Group will apply the amended standard in the scope of executed changes, starting from January 1, 2016.

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

- *Changes to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

Changes in IFRS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets were published on May 12, 2014 and apply to annual periods starting from January 1, 2016 or later. The change constitutes additional explanations in regard to admitted amortisation methods. The purpose of changes is to indicate that the method of calculating depreciation for tangible fixed assets and intangible assets, based on income, is not appropriate; however in case of intangible assets the method may be applied in certain circumstances.

The Group will apply amended standards in the scope of executed changes, starting from January 1, 2016.

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

- *Changes to IFRIC 16 and IAS 41 Agriculture: Living Plants*

The changes in IFRS 16 and 41 were published on June 30, 2014 and apply to annual periods starting from January 1, 2016 or later. This change indicates that living plants should be recognized in the same manner as tangible fixes assets in the scope of IAS 16. Therefore, living plants should be recognized pursuant to IAS 16 instead of IAS 41. Agricultural products made using living plants are still subject to IAS 41.

The Group will apply amended standards in the scope of executed changes, starting from January 1, 2016.

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

- *Amendments to IAS 27: Equity method in separate financial statements*

Changes to IAS 27 were published on August, 12 2014 and apply to annual periods starting on January 1, 2016 or later. Changes reinstate in IFRS the option of recognizing in separate financial statements the investments in subsidiaries, joint arrangements, and associates, pursuant to the equity method. In case of choosing this method, it should be applied to each investment in the given category.

The Group will apply the amended standard in the scope of executed changes, starting from January 1, 2016.

The application of the changed standard will not materially influence the Group's consolidated financial statements.

- *Amendments to IFRS 10 and IAS 28 Sales or contributions of assets between an investor and its associate/joint venture*

Changes to IFRS 10 and IAS 28 were published on September 11, 2014 and apply to annual periods starting on January 01, 2016 or later. Changes further specify the accounting for transactions, where the parent company loses control over the subsidiary, which does not constitute a "business" pursuant to the definition in IFRS 3 "Business Combinations", by way of a sale of all or some of the interests in such subsidiary from the associate or a joint venture, recognized pursuant to the equity method.

The Group will apply amended standards in the scope of executed changes, starting from January 1, 2016.

At the day of preparing this financial statement, it was not possible to reliably estimate the influence of changed standards application.

- *Changes in the various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2012-2014)*

On September 25, 2014, other changes to four standards were published, related to the project of proposed changes to the International Financial Reporting Standards published in December 2013. They apply to annual periods starting on January 1, 2016 or later.

The Group will apply the changed standards within the scope of introduced changes from January 1, 2016, unless a different period for their entry into force is foreseen.

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

- *Amendments to IAS 1: Disclosure Initiative*

On December 18, 2014, within the scope of a large initiative aiming at improving the recognition and disclosure, changes to IAS 1 were published. These changes are to serve for further encouragement of entities to apply professional judgement in determining information to be disclosed in financial statements. Changes further specify that the significance concerns all financial statements and that inclusion of insignificant information may reduce the usability of strict financial disclosures. Moreover, changes further specify that entities should apply professional judgement in defining the place and sequence of presenting information upon financial disclosures.

Published changes are accompanied by draft changes to IAS 7 Statement of Cash Flows, which increase the scope of requirements concerning disclosures on financial cash flows as well as cash and cash equivalents.

Changes may be applied immediately and obligatorily for annual periods commencing on January 1, 2016 or later. The Group commenced the analysis of the effects of implementing the changes. The Group will apply the changes at the latest as from January 1, 2016, and their effects may include a change of the scope and/or form of disclosures presented in consolidated financial statements.

- *Amendments to IFRS 10, IFRS 12, and IAS 28: Investment Entities: Applying the Consolidation Exception*

The changes to IFRS 10, IFRS 12 and IAS 28 were published on December 18, 2014 and apply to annual periods starting from January 1, 2016 or later. Their purpose is to further specify the requirements concerning accounting in investment entities.

The Group will apply amended standards in the scope of executed changes, starting from January 1, 2016.

In the Group's opinion, the application of changed standards will not materially influence the consolidated financial statements of the Group.

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

- IFRS 9 *Financial Instruments* published on July 24, 2014;
- IFRS 14 *Regulatory Deferral Accounts* published on January 30, 2014;
- IFRS 15 *Revenue from Contracts with Customers* published on May 28, 2014;
- Changes to IFRS 11 *Acquisition of an interest in a joint operation* published on May 06, 2014;
- Changes to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* published on May 12, 2014;

- Changes to IAS 16 and IAS 41 *Agriculture: Living Plants* published on June 30, 2014;
- *Changes to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2012-2014)* published on September 25, 2014;
- Amendments to IAS 27: *Equity Method in Separate Financial Statements* published on August, 12 2014;
- Amendments to IFRS 10 and IAS 28 *Sales or contributions of assets between an investor and its associate/joint venture* published on September 11, 2014;
- Amendments to IAS 1: *Disclosure Initiative*;
- Amendments to IFRS 10, IFRS 12, and IAS 28: *Investment Entities: Applying the Consolidation Exception*.

Effect of application of new accounting standards and changes of accounting policy

The accountancy principles (policy) applied to prepare this consolidated financial statement for the fiscal year ended on December 31, 2014 are coherent with those which were applied while preparing the consolidated financial statement for fiscal year ended on December 31, 2013, excluding the changes given below. The same principles were applied for the current and comparable period, unless the standard and interpretation assumed only the prospective application.

Changes resulting from IFRS changes

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 asosciates 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 Group 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 SCI 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 SCI 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. z 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 balance sheet 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 27. 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 in consolidation method of BTW on the consolidated balance sheet as at December 31, 2013 and January 1, 2013, and the consolidated profit and loss for the comparative period, ie from January 1, 2013 to September 30, 2013 is presented in the table summarizing the impact of all changes made by the Group during the period in the later part of this condensed consolidated financial statements.The amendment has no impact on the consolidated net result of the Group and the value of equity 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 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 the Group's financial statements.

- IAS 28 *Investments in asosciates 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 December 16, 2011 and apply to annual reporting periods starting from 1 July 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 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 January 1, 2014 or later. Changes result in a modification of the scope of disclosures regarding impairment of the value of non-financial assets; amongst others, thery require disclosing the recoverable value of the asset (cash-generating centre) only in the periods, when the impairment or its reversal was recognized in regard to the given asset (or centre). 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 June 27, 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.

- **Changes introduced independently by the Group**

In 2014 the Group made the following adjustments to the financial statements:

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 negative impact on the Group's net profit for the year 2013 in the amount of PLN 7,698 thousand. As a result of this change, the Group’s revenues from sale for the year 2013 decreased by PLN 385,217 thousand and cost of goods sold decreased by PLN 376,088 thousand.

Following the elimination of revenues and expenses relating to consortium partners the Group adjusted also the elements presented in the consolidated balance sheet as at December 31, 2013 and January 1, 2013 i.e. the construction contracts, assets and liabilities side.

At the same time, the Group recognized in the balance sheet only that part of the assets and liabilities, which is attributable to the Group's interest in jointly controlled operations. Details of the changes are shown in the summary table below.

Details of consortium agreements are included in note 27.

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.

(data in PLN thousand, unless indicated otherwise)

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 - 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 a negative impact on the Group's net profit for the 2013, amounting to (negative) PLN 223 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, 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.

The following is a summary of the cumulative effect of the changes described above for the consolidated balance sheet of 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	Elimination of amounts attributable to consortium	31.12.2013 Modified data
Non-current assets	719 824	3 575	(1 567)	(678)	759	721 913
Current assets	923 314	(7 666)	-	-	(139 644)	776 004
Total assets	**1 643 138**	**(4 091)**	**(1 567)**	**(678)**	**(138 885)**	**1 497 917**
Total equity	634 829	-	(1 269)	(602)	(9 586)	623 372
Long-term liabilities	114 294	(257)	(298)	(76)	(1 045)	112 618
Short-term liabilities	894 015	(3 834)	-	-	(128 254)	761 927
Total equity and liabilities	**1 643 138**	**(4 091)**	**(1 567)**	**(678)**	**(138 885)**	**1 497 917**

	01.01.2013 Published data	Change of BTW consolidation method	Off the balance sheet recognition of perpetual usefruct of land	Perpetual usefruct of land depreciation	Elimination of amounts attributable to consortium	01.01.2013 Modified data
Non-current assets	699 000	1 591	(1 567)	(444)	-	698 580
Current assets	628 202	(6 074)	-	-	(92 411)	529 717
Total assets	**1 327 202**	**(4 483)**	**(1 567)**	**(444)**	**(92 411)**	**1 228 297**
Total equity	493 643	-	(1 269)	(380)	(1 945)	490 049
Long-term liabilities	154 515	(183)	(298)	(64)	(382)	153 588
Short-term liabilities	679 044	(4 300)	-	-	(90 084)	584 660
Total equity and liabilities	**1 327 202**	**(4 483)**	**(1 567)**	**(444)**	**(92 411)**	**1 228 297**

Below we present the total effect of changes described above on individual elements of the consolidated profit and loss account of Trakcja Group for 2013.

(data in PLN thousand, unless indicated otherwise)

CONSOLIDATED PROFIT AND LOSS ACCOUNT	**1.01.2013 - 31.12.2013 Published data**	**Change of BTW consolidation method**	**Employee benefits costs presentation change**	**Perpetual usefruct of land depreciation**	**Elimination of amounts attributable to consortium**	**1.01.2013 - 31.12.2013 Modified data**
Sales revenues	1 674 984	(15 545)	-	-	(385 217)	1 274 222
Cost of goods sold	(1 566 643)	12 282	(2 708)	-	376 088	(1 180 981)
Gross profit (loss) on sales	**108 341**	**(3 263)**	**(2 708)**	**-**	**(9 129)**	**93 241**
Cost of sales, marketing and distribution	(7 366)	108	(749)	-	-	(8 007)
General and administrative costs	(51 683)	781	(4 994)	(233)	-	(56 129)
Net result from other operating activity	1 206	(51)	8 451	-	-	9 606
Share of profit of entities consolidated using equity method	-	1 880	-	-	-	1 880
Operating profit (loss)	**50 498**	**(545)**	**-**	**(233)**	**(9 129)**	**40 591**
Net result from other financial activity	(17 523)	66	-	-	-	(17 457)
Gross profit (loss)	**32 975**	**(479)**	**-**	**(233)**	**(9 129)**	**23 134**
Income tax	4 941	479	-	10	1 431	6 861
Net profit	**37 916**	**-**	**-**	**(223)**	**(7 698)**	**29 995**
Attributable to:						
Shareholders of Parent entity	37 706	**-**	**-**	**(223)**	(7 575)	29 908
Non-controlling interests	210	-	-	-	(123)	87
Profit per share attributable to shareholders in the period (PLN per share)						
Basic	0,77	-	-	(0,00)	(0,16)	0,61
Diluted	0,77	-	-	(0,00)	(0,16)	0,61

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME	**1.01.2013 - 31.12.2013 Published data**	**Change of BTW consolidation method**	**Employee benefits costs presentation change**	**Perpetual usefruct of land depreciation**	**Elimination of amounts attributable to consortium**	**1.01.2013 - 31.12.2013 Modified data**
Net profit (loss) for the period	37 916	-	-	(223)	(7 698)	29 995
Total other comprehensive income	7 097	-	-	-	55	7 152
TOTAL INCOME FOR THE PERIOD	**45 013**	**-**	**-**	**(223)**	**(7 643)**	**37 147**

10. Selected financial data

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
31.12.2014 r.	4,1893	4,0998	4,3138	4,2623
31.12.2013 r.	4,2110	4,0671	4,3432	4,1472

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

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

	31.12.2014		31.12.2013	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	719 867	168 892	721 913	174 072
Current assets	725 949	170 319	776 004	187 116
Total assets	**1 445 816**	**339 211**	**1 497 917**	**361 188**
Equity	674 503	158 249	623 372	150 312
Long-term liabilities	151 338	35 506	112 618	27 155
Short-term liabilities	619 975	145 456	761 927	183 721
Total equity and liabilities	**1 445 816**	**339 211**	**1 497 917**	**361 188**

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

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

	For the period of 12 months ended 31.12.2014		For the period of 12 months ended 31.12.2013	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	1 601 674	382 325	1 274 222	302 594
Cost of goods sold	(1 399 546)	(334 076)	(1 180 981)	(280 451)
Gross profit (loss) on sales	202 128	48 249	93 241	22 142
Operating profit (loss)	85 844	20 491	40 591	9 639
Gross profit (loss)	68 814	16 426	23 134	5 494
Net profit (loss) from continued operations	50 391	12 029	29 995	7 123
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	50 391	12 029	29 995	7 123

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

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

	For the period of 12 months ended 31.12.2014		For the period of 12 months ended 31.12.2013	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	99 081	23 651	(25 704)	(6 104)
Cash flows from investment activities	(11 108)	(2 652)	(9 815)	(2 331)
Cash flows from financial activities	(111 743)	(26 673)	(4 216)	(1 001)
Total net cash flows	(23 770)	(5 674)	(39 735)	(9 436)

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

	31.12.2014		31.12.2013	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	81 408	19 630	121 143	29 632
Cash at end of period	57 638	13 523	81 408	19 630

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

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

Euro exchange rate at the last day of the fiscal year that ended on December 31, 2012 amounted 4.0882 PLN.

11. Information concerning segments

Organization and management of the Group are executed with division into segments, in account of the type of offered goods and services, and segments handling other markets. Due to a relatively uniform character of operation of the companies composing the Group, the below segments overlap with individual entities of the Group.

In effect, the following operational reporting segments have been identified:

- Civil Building - Poland, dealing with engineering and construction/assembly works (Trakcja PRKiI, BTW, Torprojekt, PEUiM, Dalba and PDM Białystok);
- Construction, Engineering and Concession Agreements – Baltic countries, dealing with engineering and construction/assembly works in the road and rail sector in Baltic countries (AB Kauno Tiltai Group excluding PEUiM, Dalba, PDM Białystok);
- Other - Residential Construction Sector, dealing with widely comprehended developer activity (PRK 7 Nieruchomości).

Previously applied names of operational segments presented in financial statements are as follows: road segment (segment consisting of companies in the AB Kauno Group excluding PEUiM, PDM Białystok and Dalba) and civil building segment (segment consisting of Trakcja PRKiI companies; Torprojekt, BTW, PEUiM, PDM Białystok and Dalba). Due to the fact that in 2014 the share of railway works performed by companies within the road segment increased significantly in comparison with previous years, the Issuer's Management Board decided to change the name of the road segment to "Construction, Engineering and Concession Agreements – Baltic countries" as this will allow the readers of the financial statements to better differentiate between activities conducted in the segments. At the same time, the Issuer's Management Board decided to further specify the name of the "civil building segment" by changing this name to "Civil Building – Poland".

The Management Board monitors separately the operational results of the segments in order to take the decision concerning allocation of resources, assessment of the effects of such allocation and results of operations. The grounds for business results evaluation is gross profit or loss. The income tax is monitored at the Group level and in relation to this; it is not subject to allocation to segments.

Other rules concerning operational segments relating to determining financial results, assets and liabilities of segments including defining, which of these elements are monitored at the Group level, remain unchanged.

Main customers:

In 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:

Total revenue obtained in 2014 by a single recipient (TPLN)	Segments presenting the revenues
563 060	Civic building segment - Poland
278 555	Construction , engineering and concession contracts - Baltic countries

The Management Board of the Parent Company withdrew from the presentation of revenues from external customers by product and service due to the excessive cost of obtaining this information, which is in accordance with IFRS 8.

(data in PLN thousand, unless indicated otherwise)

Operating segments

For the period from 1.01.2014 to 31.12.2014	Continued operations						
	Civic building segment - Poland	Construction , engineering and concession contracts - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	1 016 626	565 860	19 188	1 601 674	-	-	1 601 674
Sales between segments	8	10	60	78	-	(78)	-
Total segment revenues	**1 016 634**	**565 870**	**19 248**	**1 601 752**	**-**	**(78)**	**1 601 674**
Results							
Depreciation	14 471	9 113	90	23 674	-	-	23 674
Financial revenues - interests	757	663	158	1 578	-	-	1 578
Financial expenses - interests	10 862	1 960	4	12 826	-	-	12 826
Gross profit	**23 843**	**56 338**	**3 024**	**83 205**	**-**	**(14 391)**	**68 814**

For the period from 1.01.2013 to 31.12.2013 Modified	Continued operations						
	Civic building segment - Poland	Construction , engineering and concession contracts - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	791 181	463 172	19 869	1 274 222	-	-	1 274 222
Sales between segments	127	37	46	210	-	(210)	-
Total segment revenues	**791 308**	**463 209**	**19 915**	**1 274 432**	**-**	**(210)**	**1 274 222**
Results							
Depreciation	13 507	9 061	118	22 686	-	-	22 686
Financial revenues - interests	1 527	1 335	267	3 129	-	(147)	2 982
Financial expenses - interests	12 638	2 364	2	15 004	-	(147)	14 857
Gross profit	**11 636**	**15 864**	**2 187**	**29 687**	**-**	**(6 553)**	**23 134**

(data in PLN thousand, unless indicated otherwise)

As at 31.12.2014 Audited	**Continued operations**						
	Civic building segment - Poland	**Construction , engineering and concession contracts - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	703 440	421 737	41 058	1 166 235	-	(152 059)	1 014 176
Assets not allocated to segments							431 640
Total assests							**1 445 816**
Segment liabilities	458 610	212 712	9 230	680 552	-	(60 577)	619 975
Other disclosures:							
Capital expenditures	(9 726)	(2 337)	-	(12 063)	-	-	(12 063)
Impairment of non-financial assets	(39 042)	-	-	(39 042)	-	-	(39 042)
Investment in entities consolidated using the equity method	11 430	-	-	11 430	-	-	11 430

As at 31.12.2013 Modified	**Continued operations**						
	Civic building segment - Poland	**Construction , engineering and concession contracts - Baltic countries**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	774 459	445 342	44 194	1 263 994	-	(234 682)	1 029 313
Assets not allocated to segments							468 604
Total assests							**1 497 917**
Segment liabilities	501 150	351 525	14 606	867 281	-	(105 354)	761 927
Other disclosures:							
Capital expenditures	(6 264)	(3 591)	(7)	(9 862)	-	34	(9 828)
Impairment of non-financial assets	(788)	-	-	(788)	-	-	(788)
Investment in entities consolidated using the equity method	8 644	-	-	8 644	-	-	8 644

(data in PLN thousand, unless indicated otherwise)

Geographical segments

For the period from 1.01.2014 to 31.12.2014	**Continued operations**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues						
Sales to external customers	1 035 814	565 860	1 601 674	-	-	1 601 674
Sales between segments	68	10	78	-	(78)	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	**1 035 882**	**565 870**	**1 601 752**	**-**	**(78)**	**1 601 674**

For the period from 1.01.2013 to 31.12.2013 Modified	**Continued operations**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues						
Sales to external customers	840 401	433 821	1 274 222	-	-	1 274 222
Sales between segments	173	37	210	-	(210)	-
Sales domestic/ abroad	1	-	1	-	(1)	-
Total segment revenues	**840 575**	**433 858**	**1 274 433**	**-**	**(211)**	**1 274 222**

As at 31.12.2014	**Continued operations**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	763 391	402 844	1 166 235	-	(152 059)	1 014 176
Operating liabilities	480 740	199 812	680 552	-	(60 577)	619 975

As at 31.12.2013 Modified	**Continued operations**					
	Domestic	**Abroad**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Operating assets	860 930	403 065	1 263 995	-	(234 682)	1 029 313
Operating liabilities	541 480	325 801	867 281	-	(105 354)	761 927

(data in PLN thousand, unless indicated otherwise)

12. Revenue from sales

	Financial year ended	
Sales revenues	**31.12.2014 Audited**	**31.12.2013 Modified**
Revenues from sale of construction services	1 548 251	1 205 244
Revenues from sale of goods and materials	4 995	4 400
Revenues from sale of other products and services	48 428	64 578
Total	**1 601 674**	**1 274 222**

13. Costs of operation:

Costs by type:

	Financial year ended	
	31.12.2014 Audited	**31.12.2013 Modified**
Depreciation	23 674	22 686
Consumption of materials and energy	433 324	390 563
External services	832 496	602 924
Taxes and charges	5 555	5 182
Payroll	144 237	131 875
Social security and other benefits	35 359	31 922
Other types of costs	29 976	26 980
Total costs by type	**1 504 621**	**1 212 132**
Change in inventories, products and prepayments	(25 518)	40 580
Cost of manufacture of products for the entity's own needs (negative value)	(12 431)	(18 185)
Cost of sales, marketing and distribution (negative value)	(5 591)	(8 007)
General and administrative costs (negative value)	(66 597)	(56 129)
Manufacturing cost of products sold	**1 394 484**	**1 170 391**
Value of materials and goods sold	**5 062**	**10 590**
Cost of goods sold	**1 399 546**	**1 180 981**

Costs of remunerations and employees benefits:

	Financial year ended	
	31.12.2014 Audited	**31.12.2013 Modified**
Costs of payroll and employment termination benefits	135 251	125 336
Social security costs	29 495	25 244
Provisions for retirement pay and disability benefits	1 957	558
Provision for jubilee awards	192	542
Provision for unused leaves	6 837	5 440
Employee benefits under Employee Pension Program	46	580
Other employee benefits	5 818	6 097
Total	**179 596**	**163 797**

The Parent Company has implemented for its employees the Employee Pension Plan (EPP) entered in to the Insurances and Pension Funds Supervision Committee (KNUiFE) under the number RPPE 75/01. In 2001, the contract has been concluded related to payment by the Parent Company of employee contributions and the plant pension agreement between the company (former PKRE SA) and Trade Unions operation in the Company. All employee pension agreements and annexes to these agreements were concluded according to a uniform model. In 2006, an annex has been signed to the plant agreement which adapted the EPP to the regulations of the changed act on employee pension programs.

(data in PLN thousand, unless indicated otherwise)

Within the Program, the employer transfers 4% of gross remuneration of an employee that represents the basis for calculating pension contributions to the selected fund. Participation of employees in the Program is voluntary and employees with at least three month seniority in the Parent Company can enter to the program.

Depreciation of fixes assets and amortization of intangible assets and write downs included in the profit and loss account:

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Items recognised in cost of goods sold		
Depreciation of fixed assets	20 823	19 518
Amortisation of intangible assets	840	363
Total	**21 663**	**19 881**
Pozycje ujęte w kosztach sprzedaży, marketingu i dystrybucji		
Depreciation of fixed assets	-	24
Amortisation of intangible assets	-	20
Total	**-**	**44**
Pozycje ujęte w kosztach ogólnego zarządu		
Depreciation of fixed assets	1 304	2 011
Amortisation of intangible assets	707	750
Total	**2 011**	**2 761**
Depreciation of fixed assets	22 127	21 553
Amortisation of intangible assets	1 547	1 133
Total	**23 674**	**22 686**

14. Other operating revenues

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Investment property valuation	-	4 657
Received penalties and fines	1 023	716
Donations received	-	251
Reimbursed costs of litigious proceedings	-	21
Redeemed liabilities	41	6 280
Profit on sale of non-financial non-current assets	633	1 468
Profit from investment property rent	178	-
Other	435	905
Total	**2 310**	**14 298**

As at December 31, 2013 the Company updated the value of investment real estate and recognized the positive effect in the financial result in the amount of PLN 4,657 thousand.

In 2013, the value of revenues due to a liability of PLN 6,225 thousand, which has been amortised, results from the agreement concluded with the contractor.

(data in PLN thousand, unless indicated otherwise)

15. Other operating costs

	Financial year ended 31.12.2014 Audited	31.12.2013 Modified
Established provisions for liabilities	2 014	-
Investment property valuation	7 690	-
Paid penalties, fines, compensations	-	246
Litigation costs paid	195	57
Donations made	656	766
Inventory shortages from stocktaking	6	139
Value of liquidated non-financial assets	16	10
Value of liquidated inventory	-	115
Reorganization costs of the production division	298	533
Depreciation of inventories held for sale	-	156
Written-off receivables	139	-
Revaluation write-off for fixed assets	334	786
Costs of concluding the agreement related to redeemed liability	-	640
Other	413	1 244
Total	**11 761**	**4 692**

16. Financial revenues

	Financial year ended 31.12.2014 Audited	31.12.2013 Modified
Financial revenues from interest, including:	1 578	2 982
- bank interest	1 007	1 512
- interest on receivables	56	204
- interest on released provisions for interest on liabilities	149	829
- on loans	177	180
- other	189	257
Financial revenues from participation in guarantee costs	-	87
Income from the reversal of provisions for liabilities	-	38
Other financial revenues	318	87
Total	**1 896**	**3 194**

(data in PLN thousand, unless indicated otherwise)

17. Financial costs

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Financial costs on account of interest, including:	12 826	14 857
- interest on loans and borrowings	6 144	8 447
- on liabilities	132	368
- on bonds	3 421	4 425
- on leasing	1 128	960
- on liability from employee benefits	540	612
- on factoring	1 384	-
- other	77	45
Loss from exchange rate differences	312	436
Costs associated with redemption of bonds before maturity	724	-
Costs associated with converting bonds into shares (non-cash)	-	702
Factoring related costs	949	837
Revaluation write-offs on bonds	251	271
Financial expenses due to write-downs of receivables' interest	-	64
Financial commision paid	3 079	3 070
Revaluation of investments	-	51
Financial costs on account of bank and insurance guarantees costs	-	91
Loss on valuation of forward contracts	356	144
Other financial costs	429	128
Total	**18 926**	**20 651**

(data in PLN thousand, unless indicated otherwise)

18. Income tax

18.1. Current income tax

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Gross profit	**68 814**	**23 134**
Differences between gross profit (loss) and income tax base (by title)		
- temporary differences, including:	12 084	78 493
depreciation and amortisation	(7 910)	(11 292)
revaluation write-offs	(4 349)	1 799
change in provisions	1 411	5 683
valuation of foreign currency transactions	-	-
valuation of construction contracts	35 837	61 093
accrued interest	1 732	(747)
accrued FX differences	405	17
provision for losses on contracts	(22 276)	27 852
remuneration unpaid	326	(171)
investment property fair value adjustment	7 690	(4 656)
other	(782)	(1 085)
- permanent differences, including:	43 677	10 597
contributions to PFRON (National Disabled Persons Rehabilitation Fund)	840	881
donations made	603	760
budget interest	4	9
abandoned research and development	-	-
insurance and membership fees	224	276
VAT difference	1	119
change in share acquisition price of subsidiaries	-	-
goodwill impairment	37 431	-
share in profits of entity valued using equity method	(2 786)	(1 880)
other	7 360	10 432
Income (loss)	**124 575**	**112 224**
Taxable income	**128 534**	**116 337**
Deductions from income	**(51 134)**	**(48 814)**
- tax loss from previous years	(49 978)	(47 353)
- donations	(1 156)	(1 461)
- other deductions	-	-
Income tax base	**77 400**	**67 523**
Income tax at 19% and 15% rate	**12 597**	**10 469**

Income tax in the profit and loss account:

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Current income tax:	**13 456**	**10 429**
- current income tax charge	12 597	10 469
- adjustments related to current income tax from previous years	859	(40)
Deferred tax:	**4 967**	**(17 290)**
- related to increase and decrease in temporary differences	4 967	(17 290)
Total	**18 423**	**(6 861)**

A part of income tax was determined according to the rate of 19% in regard to taxation basis applicable to legal entities operating in Poland. In case of foreign companies included in Trakcja Capital Group, the tax rate as from January 1, 2013 to the end of 2014 amounted to 15% in Lithuania, and 22% in Sweden.

(data in PLN thousand, unless indicated otherwise)

Reconciliation of an effective tax rate:

Reconciliation of income tax on the gross financial result at the statutory tax rate with income tax calculated at the effective tax rate for the year ended December 31, 2014 and December 31, 2013 is presented in the following table:

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Gross profit	**68 814**	**23 134**
Income tax at applicable income tax rate of 19%	13 075	4 395
Use of tax losses from previous years	(627)	-
Revaluation of deferred tax assets	151	(12 687)
Effect of varied interest rate within the Group	(2 400)	(51)
Tax-free income and other income deductions	-	-
Tax revenues not constituting accounting revenues	(5)	(23)
Tax costs not constituting accounting costs	(1 329)	(207)
Non-tax revenues constituting accounting revenues	(127)	(639)
Non-tax costs constituting accounting costs	10 214	2 708
Share of profit of associate	(529)	(357)
Income tax expense at the effective tax rate -27% (2013: -30%)	**(18 423)**	**(6 861)**

18.2. Income tax charged to other total income

	1.01.2014 - 31.12.2014	**1.01.2013 - 31.12.2013**
	Audited	Modified*
Profit from revaluation referred into revaluation reserve		
Gross amount	-	7 114
Tax	-	(1 352)
Net amount	**-**	**5 762**
Actuarial gains/(losses)		
Gross amount	(2 542)	(1 627)
Tax	451	309
Net amount	**(2 091)**	**(1 318)**
Cash flow hedging instruments		
Gross amount	(5 947)	(427)
Tax	892	65
Net amount	**(5 055)**	**(362)**
Foreign exchange differences on translation of foreign operations		
Gross amount	6 798	3 070
Tax	-	-
Net amount	**6 798**	**3 070**

(data in PLN thousand, unless indicated otherwise)

18.3. Deferred income tax

The table below presents the impact of assets and the provision for the deferred tax on the profit or loss equity:

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Deferred tax asset	**35 863**	**39 871**
- through profit or loss	33 658	39 182
- through equity	2 205	689
Provision for deferred tax	**27 132**	**28 055**
- through profit or loss	22 481	23 106
- through equity	4 651	4 949

Below we present periods, during which - pursuant to the provisions of the Act on Corporate Income Tax - deferred tax assets on tax loss can be settled at the latest:

As at 31.12.2014	2015	2016	2017	2018	2019	Total
Defered tax assets concerning tax loss	498	821	726	-	-	**2 045**

As at December 31, 2014 the Group did not recognize the deferred tax assets on unrealized losses and tax allowances, amounting to PLN 4,952 thousand, because it was not possible to generate taxable profit in the future, from which unrealized losses and tax allowances could be deducted.

(data in PLN thousand, unless indicated otherwise)

Deferred tax assets **Title of temporary differences**	**1.01.2013** **Modified**	**Increase /** **Decrease**	**31.12.2013** **Modified**	**Increase /** **Decrease**	**31.12.2014** **Audited**
Provision for bonuses	622	580	1 202	1 365	2 567
Provision for the audit	66	(32)	34	(14)	20
Provision for correction works	1 044	172	1 216	45	1 261
Provision for losses on contracts	326	4 122	4 448	(2 549)	1 899
Provisions for retirement and pensions	732	66	798	416	1 214
Provision for jubilee awards	1 540	100	1 640	(208)	1 432
Provision for unused leaves	1 154	(11)	1 143	278	1 421
Provision for comissions	141	(141)	-	-	-
Valuation allowance for trade receivables	752	797	1 549	(359)	1 190
Valuation allowance for other current assets	302	(97)	205	326	531
Unrealized foreign exchange losses	133	(10)	123	68	191
Accrued interest on liabilities	321	2	323	173	496
Valuation of bonds	250	(210)	40	17	57
Interest on receivable write-offs	11	78	89	(11)	78
Non-tax costs related to ongoing long-term contracts	5 632	(2 068)	3 564	4 655	8 219
Surpus of invoiced revenues over actual revenues - valuation of long-term contracts	4 804	5 249	10 053	773	10 826
The positive difference between the balance sheet depreciation and the tax depreciation	127	(12)	115	(51)	64
Tax loss	6 512	4 079	10 591	(8 546)	2 045
Revaluation of fixed assets to fair value	117	(117)	-	144	144
Unpaid wages and unpaid social security contributions	284	(43)	241	66	307
Other	554	1 973	2 527	(943)	1 584
Variances due to currency translation	(168)	138	(30)	347	317
Set off	(17)	17	-	-	-
Total	**25 239**	**14 632**	**39 871**	**(4 008)**	**35 863**

Provision for deferred tax **Title of temporary differences**	**1.01.2013** **Modified**	**Increase /** **Decrease**	**31.12.2013** **Modified**	**Increase /** **Decrease**	**31.12.2014** **Audited**
Surpus of actual revenues over invoiced revenues - valuation of long-term contracts	11 250	(5 999)	5 251	(569)	4 682
The negative difference between the balance sheet depreciation and the tax depreciation	11 231	1 402	12 633	1 606	14 239
Unrealized foreign exchange profits	51	(33)	18	(9)	9
Interest accrued on deposits, on financial assets	283	320	603	(163)	440
The right to perpetual usufruct	200	(57)	143	622	765
Revaluation of fixed assets to fair value	8 755	(3 103)	5 652	(936)	4 716
Investment property fair value adjustment	1 417	2 236	3 653	(1 461)	2 192
Other	(3 278)	3 297	19	(16)	3
Variances due to currency translation	(398)	481	83	3	86
Set off	(17)	17	-	-	-
Total	**29 494**	**(1 439)**	**28 055**	**(923)**	**27 132**

(data in PLN thousand, unless indicated otherwise)

19. Suspended activity

In 2014 and 2013 there was no suspended business.

20. Profit (loss) per one share

The net profit per share for each period is calculated by way of dividing the net profit assigned to the shareholders of the Parent Company for the given period by the weighted average number of shares during the given reporting period. Diluted net profit per share for each period is calculated by way of dividing the net profit assigned to the shareholders of the Parent Company for the given period by the sum of the weighted average number of ordinary shares during the given reporting period and all potential diluted shares.

Profit per one share:

	Financial year ended	
	31.12.2014 Audited	**31.12.2013 Modifed**
Net profit (loss) from continued operations	50 391	29 995
Net profit applied to calculate diluted earnings per share	50 391	29 995
Net profit attributable to shareholders of Parent entity applied to calculate diluted earnings per share	49 537	29 908
Number of issued shares (pcs)	51 399 548	51 399 548
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	51 399 548	48 944 691
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	51 399 548	48 944 691

Profit (loss) per one share assigned to shareholders during the period (in PLN per share):

	Financial year ended	
	31.12.2014 Audited	**31.12.2013 Modifed**
- basic	0,96	0,61
- diluted	0,96	0,61

Profit (loss) per one share on continued business assigned to shareholders during the period (in PLN per share):

	Financial year ended	
	31.12.2014 Audited	**31.12.2013 Modifed**
- basic	0,96	0,61
- diluted	0,96	0,61

Profit (loss) per one share assigned to shareholders of the Parent Company during the period (in PLN per share):

	Financial year ended	
	31.12.2014 Audited	**31.12.2013 Modifed**
- basic	0,96	0,61
- diluted	0,96	0,61

(data in PLN thousand, unless indicated otherwise)

21. Tangible fixed assets

Fixed assets structure:

	31.12.2014 Audited	31.12.2013 Modified
Fixed assets, including:	175 937	175 085
- land (including right of perpetual usufruct)	23 873	22 687
- buildings, premises, civil and water engineering structures	23 402	23 576
- technical equipment and machines	63 031	64 107
- vehicles	56 069	53 692
- other fixed assets	9 562	11 024
Fixed assets under construction	9 720	5 029
Total	**185 657**	**180 115**

Tables of fixed assets movement:

Financial year ended 31.12.2014	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Net book value at the beginning of the year	**46 263**	**64 107**	**53 692**	**11 024**	**5 029**	**180 115**
Increases - purchase	1 682	5 326	8 692	909	7 203	23 812
Other increases	-	1 049	2 255	-	316	3 620
Movements from inventory	3 591	-	-	-	-	3 591
Movements between groups	253	1 969	626	(17)	(2 831)	-
Sale	(1 478)	(424)	(551)	(5)	-	(2 458)
Liquidation	(278)	(255)	(396)	(59)	-	(988)
Depreciation	(2 161)	(9 407)	(8 042)	(2 517)	-	(22 127)
Other decreases	(945)	-	(435)	17	-	(1 363)
Variances due to currency translation	348	666	228	210	3	1 455
Net book value at the end of the year	**47 275**	**63 031**	**56 069**	**9 562**	**9 720**	**185 657**
As at 31.12.2014						
Modified						
(Gross) cost or value from valuation	73 419	177 185	123 000	30 050	9 931	413 585
Depreciation and impairment write-offs	(26 492)	(114 820)	(67 159)	(20 698)	(214)	(229 383)
Variances due to currency translation	348	666	228	210	3	1 455
Net book value	**47 275**	**63 031**	**56 069**	**9 562**	**9 720**	**185 657**

Financial year ended 31.12.2013 Modified	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Net book value at the beginning of the year	**49 638**	**68 021**	**56 733**	**9 767**	**1 552**	**185 711**
Increases - purchase	396	5 204	4 085	3 481	586	13 752
Other increases	438	488	2 178	-	3 249	6 353
Movements	94	74	-	191	(359)	-
Sale	(798)	(1 048)	(1 172)	(13)	-	(3 031)
Liquidation	(2)	(26)	(0)	(5)	-	(33)
Other decreases	(1 543)	60	(292)	(152)	-	(1 927)
Depreciation	(2 172)	(9 077)	(7 991)	(2 313)	-	(21 553)
Variances due to currency translation	212	411	151	68	1	843
Net book value at the end of the year	**46 263**	**64 107**	**53 692**	**11 024**	**5 029**	**180 115**
As at 31.12.2013						
Modified						
(Gross) cost or value from valuation	69 411	173 447	116 495	29 274	5 240	393 867
Depreciation	(23 360)	(109 751)	(62 954)	(18 318)	(212)	(214 595)
Variances due to currency translation	212	411	151	68	1	843
Net book value	**46 263**	**64 107**	**53 692**	**11 024**	**5 029**	**180 115**

(data in PLN thousand, unless indicated otherwise)

Ownership structure of fixed assets:

	31.12.2014 Audited	31.12.2013 Modified
Proprietary	154 673	154 663
Used on the basis of lease, rental or other agreement, including leasing agreement	30 984	25 452
Total	**185 657**	**180 115**

Trakcja Group, as the lessee, uses the following tangible fixed assets based on a financial lease agreement:

As at 31.12.2014 Audited	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Value at the beginning of the period	-	17 718	19 999	1 904	-	**39 621**
Acumulated depreciation	-	(3 656)	(4 229)	(752)	-	**(8 637)**
Net book value	**-**	**14 062**	**15 770**	**1 152**	**-**	**30 984**

As at 31.12.2013 Modified	**Land, buildings and structures**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Value at the beginning of the period	-	11 232	19 747	2 966	-	**33 945**
Acumulated depreciation	-	(2 155)	(5 329)	(1 009)	-	**(8 493)**
Net book value	**-**	**9 077**	**14 418**	**1 957**	**-**	**25 452**

Based on the right of perpetual usufruct of land, the Group has land classified in the Land, Buildings and Structures category, with the net value of PLN 23,976 thousand (31/12/2013: PLN 24,208 thousand).

Information about securities on tangible fixed assets is included in Note 56.

22. Investment property

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

	31.12.2014 Audited	31.12.2013 Modified
As at start of period (by type groups) - net value:	**30 324**	**17 800**
- land	22 576	13 881
- buildings, premises, civil and water engineering structures	7 748	3 919
Increases:	**468**	**12 524**
- land	462	8 695
- revaluation	136	1 964
- acquisition	320	-
- movement from fixed assets	-	6 731
- exchange rate differences	6	-
- buildings, premises, civil and water engineering structures	-	3 829
- revaluation	-	2 693
- movement from fixed assets	-	1 136
Decreases	**(7 826)**	**-**
- land	(3 134)	-
- revaluation	(3 134)	
- buildings, premises, civil and water engineering structures	(4 692)	-
- revaluation	(4 692)	-
As at end of period (by type groups) - net value:	**22 960**	**30 324**
- land	19 904	22 576
- buildings, premises, civil and water engineering structures	3 056	7 748

The Group presents investment property at fair value. The fair value of the Group's investment property as at December 31, 2014 and December 31, 2013 was assessed based on valuation performed by an independent valuer with appropriate qualifications required to valuate real estate, as well as present experiences in such valuations performed at locations, where the Group's assets are placed.

Valuation of investment property:
- land classified as office property, belonging to the Parent Company;
- land property belonging the subsidiary Dalba Sp. z o.o.

was conducted by way of a reference to transactional market prices for similar real properties (comparative method). The comparison approach consists in determining the value of a real property with the assumption that the value of the valuated real property is equal to the price for similar real properties, which have been traded, adjusted in accordance with the attributes, which differentiate these real properties (i.e. location, infrastructure/development status, area) and determined in account of the changes in level of prices due to the lapse of time. The sensitivity analysis indicates that the comparable valuation model is sensitive to changes of prices of real properties similar to the valuated property.

Valuations of buildings included in the office property, belonging to the Parent Company, were conducted with the application of the cost method. Pursuant to IFRS 13, the cost approach reflects the amount, which would be currently due, in order to reconstruct the productivity of the given component of assets (often defined as current replacement cost). In many cases, the current replacement cost method is applied to determine the fair value of material assets, which are used in combination with other assets or other assets and liabilities. Valuated real properties belong in the category of the regional market, and the value of the construction component is defined within the cost approach with the application of the replacement cost method and using the indicator technique and integrated elements.

The real property "Nowowola Natural Aggregate Deposit" belonging to the subsidiary PEUiM Sp. z o.o. was valuated with the application of the income method and the expected current value technique . This technique is based on expected cash flows, which have not been adjusted in relation to risk, and the discounting rate, which takes account of the risk premium as requested by market participants. This rate was calculated based on the CAPM model and adopted at the level of 10.06%. The valuation took account of the 10-year projections of income generated by the real property. The level of income generated by the real property was determined on the basis of an analysis of date obtained from the local market and detailed data concerning resources in the deposit. The residual value of the land after ending exploitation of the deposit was defined on the basis of an analysis of average transactional prices of land in poor agricultural classes in the Podlaskie Voivodeship. The model of valuating the real property applying the income method is sensitive to the level of the discounting rate and the volume of foreseen streams of income from the real property.

The establishment of the fair value takes place in account of valuation techniques relevant to circumstances and wherever sufficient data is available, with maximum use of relevant observable input data and minimum use of unobservable input data.

(data in PLN thousand, unless indicated otherwise)

Below we present the influence of unobservable input data on fair value of the real property depending on the adopted valuation technique.

	Valuation technique used	Unobservable input data	Link between unobservable input data and fair value
Office - land	Comparative approach	Location (40%) Current development (40%) Surface (20%)	these factors affect the value of the weighting adopted in measuring the fair value of real estate
		Average market price of comparable real estate	an increase in the market value of comparable real estate will increase the fair value of real estate
Office - buildings	Cost approach	Replacement cost value	increase in the replacement cost will increase the fair value of real estate
		Requisite degree of technical wear	higher the degree of technical wear adversely affect the fair value of the property
Land	Comparative approach	Location (40%) Current development (20%-40%) Surface (20%)	these factors affect the value of the weighting adopted in measuring the fair value of real estate
		Average market price of comparable real estate	an increase in the market value of comparable real estate will increase the fair value of real estate
Deposits of natural aggregates	Income approach	Discount rate	an increase in the discount rate would decrease the fair value of the property
		Wealth deposits	the expected size of the deposit growth will increase in the fair value of real estate
		Average sales price of aggregate	increase in the average sales price of aggregate will increase the fair value of the property

During the financial year, the valuation technique was changed because in the Group's opinion the application of the cost method for valuating owned office buildings will better reflect their fair value as at December 31, 2014.

The establishment of the fair value of the real property applied the approach of the most favourable and best use of the real property (i.e. current use of these real properties).

Based on the valuation performed as at December 31, 2014, it was found that the value of investment properties has decreased in the amount of PLN 7,690 thousand, and this amount was included in other operating costs.

Details concerning the hierarchy of the fair value as at December 31, 2014 and December 31, 2013:

	31.12.2014	Level 1	Level 2	Level 3
Investment property:	**22 960**	**-**	**-**	**22 960**
Office	15 772	-	-	15 772
Land	2 288	-	-	2 288
Deposits of natural aggregates	4 900	-	-	4 900

	31.12.2013 Modified	Level 1	Level 2	Level 3
Investment property:	**30 324**	**-**	**-**	**30 324**
Office	22 466	-	-	22 466
Land	3 013	-	-	3 013
Deposits of natural aggregates	4 845	-	-	4 845

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.

(data in PLN thousand, unless indicated otherwise)

During the financial year there were no transfers between levels 1, 2 and 3.

The reconciliation of the opening balance and closing balance of fair value is presented below:

	31.12.2014 Audited	31.12.2013 Modified
As at the beginning of the period (Level 3)	**30 324**	**17 800**
Transfers from fixed assets	-	7 867
Acquisition	320	-
Gains/ (losses) recognized in profit and loss account	(7 690)	4 657
Exchange rates	6	-
As at the end of the period (Level 3)	**22 960**	**30 324**
Unrealised profits (losses) in the period recognised in P&L (as other operating costs)	(7 690)	4 657

Revenues from rent and direct operational costs concerning investment properties were as follows:

	Financial year ended	
	31.12.2014 Audited	31.12.2013 Modified
Rental income from investment property	336	296
Direct operating expenses from investment property that during the period generated rental income	230	375
Direct operating expenses from investment property that during the period did not generate rental income	33	-

Collateral was established on investment properties, as described in detail in Note 56.

23. Goodwill on consolidation

The Group recognizes as at the balance sheet date in the consolidated financial statement, the goodwill of total value PLN 395,777 thousand (31/12/2013: PLN 426,431 thousand), which was recognized in the following balance sheet items:

- goodwill on consolidation: PLN 342,265 thousand (31/12/2013: PLN 375,217 thousand);
- intangible assets: PLN 53,512 thousand (31/12/2013: PLN 53,512 thousand).

Goodwill on consolidation

	31.12.2014 Audited	31.12.2013 Modified
Goodwill at cost	379 696	375 217
Acumulated impairment	(37 431)	-
Goodwill after all write-offs	**342 265**	**375 217**

	31.12.2014 Audited	31.12.2013 Modified
Balance at the beginning of the period	**375 217**	**372 918**
Decreases	**(37 431)**	**-**
Impairment charged to P&L during the year	(37 431)	-
Exchange rate differences	**4 479**	**2 299**
Balance at the end of the period	**342 265**	**375 217**

Allocation of the goodwill to cash-generating units ("CGU") prior to recognizing impairment write-offs

For impairment test purposes, as at December 31, 2014 the goodwill was allocated to the following cash generating units:

(data in PLN thousand, unless indicated otherwise)

As at 31.12.2014	CGU: Trakcja PRKiI S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Companies with AB Kauno Tiltai Group	CGU: PRK7 Nieruchomości	Total
Allocated before recognition of goodwill write-downs	**49 554**	**99 272**	**279 601**	**4 780**	**433 207**
recognized in goodwill on consolidation	822	99 272	279 601	-	379 695
recognized in intangible assets	48 732	-	-	4 780	53 512

As at 31.12.2013	CGU: Trakcja PRKiI S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.; PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Companies with AB Kauno Tiltai Group	CGU: PRK7 Nieruchomości	Total
Allocated before recognition of goodwill write-downs	**148 826**	**275 123**	**4 780**	**428 729**
recognized in goodwill on consolidation	100 094	275 123	-	375 217
recognized in intangible assets	48 732	-	4 780	53 512

The CGU comprising AB Kauno Tiltai Group companies includes: AB Kauno Tiltai and its subsidiaries, excluding PEUiM Sp. z o.o., Dalba Sp. z o.o, PDM Białystok S.A.

As at December 31, 2013, the Group recognized the cost generating unit comprising the following companies: Trakcja PRKiI S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o., PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM Białystok S.A. due to the existing dependencies between cash flows within this CGU. The reason of the change in the manner of CGU identification is the fact that in 2014 the cash flows generated by companies PEUiM Sp. z o.o., Dalba Sp. z o.o., and PDM Białystok S.A. became largely independent from the cash flows from other assets in the previously recognized CGU, which consists of the following companies: Trakcja PRKiI, Torprojekt Sp. z o.o., BTW Sp. z o.o., PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM Białystok S.A. due to the existing dependencies between cash flows within this CGU. The total goodwill assigned to the aforementioned CGU existing as at December 31, 2013 amounted to PLN 148,827 thousand.

Test for goodwill impairment

As at December 31, 2014, an impairment test was conducted with regard to the goodwill assigned to all cash-generating centres. The recoverable value of the CGU is determined on the basis of calculations of the usable value. These calculations apply projections of cash flows during the five-year period. Cash flows exceeding the five-year period were estimated at a fixed level. The growth rate during the residual period was adopted at the level of 2% and it does not exceed the long-term inflation rate. The Management Board establishes the budgeted margin on the basis of historical results, updated contract budgets, and its own forecasts concerning market development. Weighted average growth rates are in line with the forecasts presented in industry reports. The applied discounting rate is the rate before taxation, reflecting defined threats concerning certain segments, not included in cash flow forecasts, calculated based on the CAPM model.

Basic assumptions adopted for the purpose of the goodwill impairment test:

(data in PLN thousand, unless indicated otherwise)

As at 31.12.2014	CGU: Trakcja PRKiI S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Gr.AB Kauno Tiltai	CGU: PRK7 Nieruchomości
WACC before taxation	10,3%	10,0%	9,0%	9,8%
EBITDA margin	4,0%-4,6%	4,9%-5,8%	5,0%-7,1%	10,2%-17,6%
Growth rate in the residual period	2%	2%	2%	2%

As at 31.12.2013	CGU: Trakcja PRKiI S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.; PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Gr.AB Kauno Tiltai	CGU: PRK7 Nieruchomości
WACC before taxation	9,8%	8,90%	9,80%
EBITDA margin	3,1%-3,4%	4,2%-6,3%	12%
Growth rate in the residual period	2%	2%	2%

As a result of the conducted impairment test, identified was an impairment of goodwill assigned to the CGU consisting of the following companies: PEUiM Sp. z o.o. , Dalba Sp. z o.o., PDM Białystok S.A. in the amount of PLN 37,431 thousand The write-off was presented in the consolidated profit and loss account as a separate item.

The conducted sensitivity analysis indicates that significant factors affecting the estimates of the usable value of cash generating units include the profitability of executed construction contracts and the adopted level of the discounting rate.

Below we present the analysis of the sensitivity of the recoverable value of cash generating units to changes of defined indicators used in the impairment test.

Sensitivity analysis for the CGU consisting of the following companies: Trakcja PRKiI, Torprojekt Sp. z o.o. and BTW Sp. z o.o.

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	12 940	(12 940)
WACC	+/- 0,25%	(8 176)	8 683

Sensitivity analysis for the CGU consisting of the following companies: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM Białystok S.A.

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	3 286	(3 286)
WACC	+/- 0,25%	(2 870)	3 058

Sensitivity analysis for the CGU consisting of the companies in the AB Kauno Tiltai Group.

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	16 450	(16 450)
WACC	+/- 0,25%	(16 680)	17 921

(data in PLN thousand, unless indicated otherwise)

Sensitivity analysis for the CGU including PRK7 Nieruchomości

Factor applied	**Reasonably possible change of the factor**	**The impact on the recoverable amount of cash-generating unit**	
		increase	**decrease**
EBITDA	+/- 2,5%	908	(908)
WACC	+/- 0,25%	(1 221)	1 295

24. Intangible assets

Structure of intangible assets:

	31.12.2014 Audited	**31.12.2013 Modified**
Research and development costs	3 536	4 558
Goodwill	53 512	53 512
Acquired concessions, patents, licences and similar items of value, including:	1 043	743
- software	1 004	693
Other tangible non-current assets	13	15
Intangible assets under construction	2 065	1 333
Total	**60 169**	**60 161**

Tables of intangible assets movement:

Financial year ended 31.12.2014 Audited	**Research and develop-ment expenses**	**Goodwill**	**Software licences**	**Other licences, conces-sions, patents**	**Other intangible assets**	**Intangible assets under construc-tion**	**Total**
Net book value at the beginning of the year	**4 558**	**53 512**	**693**	**50**	**15**	**1 333**	**60 161**
Increases	179	-	601	1	29	732	**1 542**
Amortisation	(1 212)	-	(292)	(13)	(31)	-	**(1 548)**
Other decreases	-	-	(6)	-	-	-	**(6)**
Variances due to currency translation	11	-	9	-	-	-	**20**
Net book value at the end of the year	**3 536**	**53 512**	**1 005**	**38**	**13**	**2 065**	**60 169**
As at 31.12.2014							
(Gross) cost or value from valuation	7 275	53 512	5 610	247	648	2 065	69 357
Depreciation and imparment write-offs	(3 750)	-	(4 614)	(209)	(635)	-	(9 208)
Variances due to currency translation	11	-	9	-	-	-	20
Net book value	**3 536**	**53 512**	**1 005**	**38**	**13**	**2 065**	**60 169**

(data in PLN thousand, unless indicated otherwise)

Financial year ended 31.12.2013 Modified	**Research and develop-ment expenses**	**Goodwill**	**Software licences**	**Other licences, conces-sions, patents**	**Other intangible assets**	**Intangible assets under construc-tion**	**Total**
Net book value at the beginning of the year	**1 470**	**53 512**	**814**	**68**	**149**	**3 862**	**59 875**
Increases	125	-	384	-	10	918	**1 437**
Movements	3 447	-	-	-	-	(3 447)	-
Sale	-	-	(6)	-	-	-	**(6)**
Amortisation	(500)	-	(470)	(18)	(146)	-	**(1 134)**
Other decreases	-	-	(31)	-	-	-	**(31)**
Variances due to currency translation	16	-	2	-	2	-	**20**
Net book value at the end of the year	**4 558**	**53 512**	**693**	**50**	**15**	**1 333**	**60 161**
As at 31.12.2013 Modified							
(Gross) cost or value from valuation	7 078	53 512	5 933	246	647	1 333	68 749
Depreciation and imparment write-offs	(2 536)	-	(5 243)	(196)	(634)	-	(8 609)
Variances due to currency translation	16	-	3	-	2	-	21
Net book value	**4 558**	**53 512**	**693**	**50**	**15**	**1 333**	**60 161**

Ownership structure of intangible assets:

	31.12.2014 Audited	**31.12.2013 Modified**
Proprietary	60 169	60 161
Total	**60 169**	**60 161**

In 2014, the Group recognized in the profit and loss account the amount of PLN 697 thousand concerning amortisation and expenses incurred on research and development works (in 2013: PLN 77 thousand).

25. Other financial assets

	31.12.2014 Audited	**31.12.2013 Modified**
Financial assets held to maturity	**24 199**	**57 940**
Bank guarantees deposits	24 199	57 837
Other	-	103
Loans granted and own receivables	**42 226**	**2 820**
Financial assets related to the concession agreement	40 047	695
Loans granted	2 179	2 125
Total	**66 425**	**60 760**
including:		
- recognised as non-current assets	56 013	25 665
- recognised as current assets	10 412	35 095

In 2014, there was no impairment of individual components of financial assets.

(data in PLN thousand, unless indicated otherwise)

26. Joint arrangements

Joint ventures

The Group has 50% of interest in Bahn Technik Wrocław Sp. z o.o. ("BTW"), which deals with rail track works, including welding, regeneration of turnouts, and assembly of railway tracks. Activity conducted by BTW was described in more detail in Note 2 hereof. BTW conducts business in Poland.

The investment in BTW was classified as a joint venture and is valuated using the equity method pursuant to IFRS 11.

Below we present a summary of financial data of BTW and their reconciliation against the balance sheet value of the shares in the joint venture.

	31.12.2014 Audited	31.12.2013 Modifed
Current assets	17 440	16 792
including: Cash and cash equivalents	1 438	834
Non-current assets	19 539	10 136
Short-term liabilities	13 250	9 126
including: Interest-bearing bank loans and borrowings	3 053	684
Long-term liabilities	871	514
including: Deferred tax liabilities	799	514
Equity	**22 859**	**17 288**
Proportion of the Group’s ownership	50%	50%
Carrying amount of the investment	**11 430**	**8 644**

	Financial year ended	
	31.12.2014 Audited	31.12.2013 Modifed
Sales revenues	48 030	35 009
Operating costs	(40 516)	(30 160)
including: Depreciation	(2 266)	(1 330)
Financial revenues	147	4
including: Interest income	7	4
Financial costs	(737)	(136)
including: Interest cost	(140)	(56)
Income tax	(1 354)	(956)
Net result from continued operations	**5 571**	**3 760**
Net result from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	**5 571**	**3 760**
Group’s share of profit for the period from continued operations (50%)	2 786	1 880
Group’s share of total comprehensive income for the period from continued operations (50%)	2 786	1 880

As at December 31, 2014, BTW had the following conditional liabilities:

- own promissory notes in the amount of PLN 2,500 thousand (31/12/2013: PLN 2,500 thousand);
- assignment of rights under insurance policies in the total amount of PLN 3,297 thousand (31/12/2013: PLN 3,297 thousand);
- granted guarantees in the amount of PLN 736 thousand (31/12/2013: PLN 516 thousand).

(data in PLN thousand, unless indicated otherwise)

Joint operations – contracts executed in consortiums

The Group performs certain long-term contracts based on consortium agreements, as the consortium leader. The Group treats shares in such contracts as shares in joint operations pursuant to IFRS 11. Therefore, the Group does not recognize in the profit and loss account any parts of revenues or costs due to such contracts, allocated to consortium members.

The table below presents revenues and costs allocated to consortium members, concerning contracts executed within the scope of the aforementioned consortiums, which were not recognized in the Group's profit and loss account.

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Sales revenues	430 321	385 217
Cost of goods sold	(430 767)	(376 088)
Gross profit on sales	**(446)**	**9 129**

In its balance sheet as at December 31, 2014, the Group did not recognize trade receivables allocated to consortium partners in the amount of PLN 105,579 thousand (31/12/2013: PLN 132,814 thousand) and trade liabilities allocated to consortium partners in the amount of PLN 124,721 thousand (31/12/2013: PLN 132,814 thousand).

27. Prepayments

Structure by type of prepayments:

	31.12.2014	**31.12.2013**
	Audited	**Modified**
Prepayments, including:	5 238	6 764
- insurance and insurance guarantees	3 844	5 112
- commissions paid	-	342
- PKP (Polish Railways) identification documents	-	96
- repair and maintenance of wagons, locomotives	1 394	1 214
Other prepayments and accruals	905	3 614
Total	**6 143**	**10 378**

Age structure of prepayments:

	31.12.2014	**31.12.2013**
	Audited	**Modified**
Long-term	1 407	1 892
Short-term	4 736	8 486
Total	**6 143**	**10 378**

(data in PLN thousand, unless indicated otherwise)

28. Inventory

	31.12.2014 Audited	31.12.2013 Modified
Materials	29 812	66 583
Semi-finished goods and products in progress	13 094	20 094
Finished goods	13 991	2 723
Merchandise	5 779	11 382
Inventory for resale	-	3 591
Total, gross inventory	**62 676**	**104 373**
Inventory revaluation write-offs	**(2 700)**	**(1 218)**
Materials	27 161	65 392
Semi-finished goods and products in progress	13 094	20 094
Finished goods	13 964	2 696
Merchandise	5 758	11 382
Inventory for resale	-	3 591
Total, net inventory	**59 977**	**103 155**

Costs of inventory recognized in operational costs for the current period amounted to PLN 395,613 thousand (PLN 469,491 thousand for 2013).

Change in write-downs to inventory:

	Financial year ended	
	31.12.2014 Audited	31.12.2013 Modified
Balance at the beginning of the period	**1 218**	**1 680**
Increases	**1 611**	**297**
Establishment	1 611	297
Decreases	**(142)**	**(766)**
Use	(142)	(95)
Dissolution	-	(671)
Exchange rate differences	**13**	**7**
Balance at the end of the period	**2 700**	**1 218**

Creation and reversal of amounts of impairment write-downs to inventory were recognized in the "own cost of sale" in the consolidated profit and loss account. Write-downs to inventory are performed in line with the rules defined in Note 9.12.

The inventory is secured, according to note No. 56.

(data in PLN thousand, unless indicated otherwise)

29. Trade receivables and other receivables

Structure of receivables by virtue of supplies and services and other receivables:

	31.12.2014 Audited	31.12.2013 Modified
Gross trade receivables, before discounting	**475 620**	**440 052**
Discounting of receivables	-	-
Total, gross trade receivables	**475 620**	**440 052**
including:		
- receivables from related entities	19	23
Budgetary receivables	4 208	942
Receivables claimed in court	2 412	2 024
Other receivables from third parties	11 407	5 474
Amounts held	45 795	74 672
Advances paid	676	3 755
Total, gross trade and other receivables	**540 118**	**526 919**
Receivables revaluation write-offs	(18 233)	(29 302)
Total	**521 885**	**497 617**

Receivables from the related companies are shown in note No. 59.

Trade receivables and retained amounts:

	31.12.2014 Audited	31.12.2013 Modified
Net trade receivables		
With maturity within 12 months	503 805	482 289
With maturity over 12 months	2 400	5 688
Discounting of receivables	-	-
Total, net trade receivables after discounting	**506 205**	**487 977**

Receivables due over 12 months include retained amounts, which constitute an additional contract security.

The Group resigned from recognizing discounting of receivables due to its small significance.

Receivables by virtue of supplies and services are not interest bearing and their maturity is usually 30 days.

The Group has implemented special policy within the scope of making the sales only to verified customers. In the management opinion, thanks to this, there is no additional credit risk over the level specified by the write down concerning bad debt, proper for the trade receivables of the Group. As at the balance sheet date, 48% of the total receivables of Trakcja Group are the receivables from PKP PLK S.A.

Due to the short-term nature of trade receivables, their balance sheet value is close to the fair value.

The Group concluded a factoring agreement with recourse on May 10, 2013. On December 09 2014, an annex was signed to the substantial factoring agreement, pursuant to which the financing limit foreseen in the agreement was amended and now amounts to PLN 100,000 thousand. As at December 31, 2014, the Company used this limit up to PLN 38,338 thousand (31/12/2013: PLN 34,718 thousand).

(data in PLN thousand, unless indicated otherwise)

Change of write downs to receivables:

	31.12.2014 Audited	31.12.2013 Modified
As at start of period	**29 302**	**21 331**
Increases	**7 709**	**8 864**
Establishment	7 709	8 864
Subsidiary taken-over through full consolidation	-	-
Decreases	**(18 923)**	**(825)**
Use	(1 328)	(272)
Dissolution	(17 595)	(552)
Loss of control over subsidiaries	-	-
Variances due to currency translation	**145**	**(68)**
As at end of period	**18 233**	**29 302**

Creation and reversal of write-downs to receivables is presented in own cost of sale.

Trade receivables and retained amounts by maturity dates:

	31.12.2014 Audited	31.12.2013 Modified
Up to 1 month	163 483	49 231
From 1 month to 3 months	124 029	228 664
From 3 months to 6 months	28 265	37 717
From 6 months to 1 year	37 921	68 798
More than 1 year	4 171	7 424
Overdue receivables	163 546	122 890
Total, gross trade receivables	**521 415**	**514 724**
Revaluation write-offs on trade receivables	(15 210)	(26 747)
Total, net trade receivables	**506 205**	**487 977**

Structure of overdue trade receivables and retained amounts:

	31.12.2014 Audited	31.12.2013 Modified
Up to 1 month	133 925	80 305
From 1 month to 3 months	15 164	3 000
From 3 months to 6 months	731	1 577
From 6 months to 1 year	741	2 080
More than 1 year	12 985	35 929
Total, gross overdue trade receivables	**163 546**	**122 890**
Receivables revaluation write-offs	(15 210)	(26 747)
Total, net overdue trade receivables	**148 336**	**96 143**

Currency structure of trade receivables and other gross receivables:

	31.12.2014 Audited	31.12.2013 Modified
In PLN	397 122	372 568
In foreign currencies - after conversion into PLN, including:	142 996	154 351
in LTL	134 456	149 079
in EUR	8 488	1 925
in LVL	-	3 347
Total	**540 118**	**526 919**

Receivables claimed in court:

	31.12.2014 Audited	31.12.2013 Modified
Receivables claimed in court	2 412	2 024
Revaluation write-offs on receivables claimed in court	(2 412)	(2 024)
Total	**-**	**-**

(data in PLN thousand, unless indicated otherwise)

30. Cash and cash equivalents

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

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

Currency structure of cash and cash equivalents:

	31.12.2014 Audited	**31.12.2013 Modified**
In PLN	29 835	36 187
In foreign currencies - after conversion into PLN, including:	32 011	47 412
in EUR	1 355	3 627
in LTL	30 384	42 637
in LVL	263	1 148
in USD	9	-
Total	**61 846**	**83 599**

The balance of cash and cash equivalents presented in the consolidated balance sheet and in the consolidate cash flow statement consisted of the following items:

	31.12.2014 Audited	**31.12.2013 Modified**
Cash in hand	103	138
Cash at bank	36 077	46 391
Other cash - deposits up to 3 months	25 666	37 070
Total cash and cash equivalents	**61 846**	**83 599**
Cash and cash equivalents excluded from cash flow statement	(4 208)	(2 191)
Cash and cash equivalents presented in cash flow statement	**57 638**	**81 408**
- including restricted cash	981	912

Cash excluded from the cash flow statement as at December 31, 2014 relate to cash blocked on development project accounts in the amount of PLN 4,208 thousand, and restricted cash in the amount of PLN 981 thousand is allocated for repayment of interest on bonds.

(data in PLN thousand, unless indicated otherwise)

31. Construction contracts

	31.12.2014 Audited	31.12.2013 Modified
Revenues recognised in income statement in the period	1 548 251	1 205 244
Costs recognised in income statement in the period	1 348 585	1 118 502
Gross profit / (loss)	**199 666**	**86 742**

	31.12.2014 Audited	31.12.2013 Modified
Surplus of invoiced revenues over revenues resulting from degree of advancement	61 712	38 498
Surplus of revenues resulting from degree of advancement over invoiced revenues	56 692	18 330
Advances paid towards contracts being performed	14 373	29 722
Advances received towards contracts being performed	12 433	87 233
Provision for anticipated losses on contracts	13 207	29 295
Recognised in balance sheet:		
in non-current assets		
Construction contracts	**3 972**	**-**
in current assets		
Construction contracts	**67 093**	**48 052**
in short-term liabilities		
Construction contracts	**87 352**	**155 026**

32. Capital risk management

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

	31.12.2014 Audited	31.12.2013 Modified
Equity to assets ratio	0,46	0,41
Equity to non-current assets ratio	0,93	0,86
Debt ratio	0,54	0,59
Debt to equity ratio	1,15	1,41

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

Equity to assets ratio = equity / total assets

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

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

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

(data in PLN thousand, unless indicated otherwise)

33. Equity

Share capital

As at December 31, 2014 and as of the date of these statements, the share capital of the Parent Company - pursuant to the entry in the National Court Register - amounted to PLN 41,119,638.40 and was divided into 51,399,548 A-series ordinary bearer shares with nominal value of PLN 0.80 each. Each share entitles to one vote at the Issuer's General Meeting.

	31.12.2014 Audited	**31.12.2013 Modified**
	Par value 0.8 PLN	Par value 0.1 PLN
Series A ordinary shares	51 399 548	1 599 480
Series C ordinary shares	-	83 180 870
Series D ordinary shares	-	19 516 280
Series E ordinary shares	-	25 808 850
Series F ordinary shares	-	30 000 000
Series G ordinary shares	-	72 000 000
Series H ordinary shares	-	179 090 904
Total	**51 399 548**	**411 196 384**

In Q4 2014, pursuant to the regulation of the General Meeting of October 16, 2014, shares were split at the ratio of 8:1 with a simultaneous increase of their nominal value. This means that nominal value of shares of all series was raised from PLN 0.10 to PLN 0.80. All existing ordinary bearer shares of the Company issued within series A, C, D, E, F, G and H were marked with the new A series. The split took place with a proportional decrease of the total number of shares from 411,196,384 to 51,399,548 i.e. through combining each 8 shares with the existing nominal value of PLN 0.10 into one share with the new nominal value of PLN 0.80. The entire procedure did not affect the basic capital of Trakcja PRKiI.

Due to the shares split, as from December 15, 2014 (the date of recommencing the trade of Company shares) there are 51,399,548 A-series ordinary bearer shares of Trakcja PRKiI listed at the Warsaw Stock Exchange, marked with the code PLTRKPL00014. All shares are paid up in full.

According to the Issuer's Management Board knowledge, the status of Shareholders possessing directly or through subsidiaries at least 5% of the general number of votes at the General Meeting on the date of approving these statements is as follows:

Shareholders	**Number of shares**	**% in the share capital**	**Number of votes**	**% in votes at GSM**
COMSA S.A.	14 802 280	28,80%	14 802 280	28,80%
ING OFE	7 605 842	14,80%	7 605 842	14,80%
OFE PZU	4 349 650	8,46%	4 349 650	8,46%
Pozostali akcjonariusze	24 641 776	47,94%	24 641 776	47,94%
Razem	**51 399 548**	**100,00%**	**51 399 548**	**100,00%**

After the shares split, the Issuer did not receive any notification about a change of the share in the votes at the Company's General Meeting by current Shareholders who possess, directly or through their subsidiaries, at least 5% of the general number of votes at the General Meeting. Therefore, the number of shares presented in the table was determined by way of dividing by 8 (the shares split ratio was 8:1) and rounding up the total number of shares held by individual Shareholders, according to information possessed by the Company on the date of commencing the shares split process.

Share premium

As at December 31, 2014, the total share premium amounted to PLN 309,984 thousand and decreased in comparison to the value as at December 31, 2013 due to the recognition in 2014 of transaction costs relating to the Issuer's shares split process in the net amount of PLN 118 thousand.

Other capital reserves

Other capital reserves includes:

- Results from previous years - capital established from profits generated in previous financial years. The Parent Company is obliged to create reserve capital build on at least 8% of the profit in the given financial year, until the capital reaches at least one third of the initial share capital. Such reserve capital is not subject to division.

- Hedging instruments – an effective part of changes in the fair value of derivative instruments classified as cash flow hedges is recognized in other total income and accumulated in reserve capital to secure the cash flow. This capital is not subject to division.

- Actuarial profit (loss) – the Group recognized actuarial profit and loss due to reserves for employee benefits in other total income and accumulates it in reserve capital. This capital is not subject to division.

Revaluation reserve

The revaluation capital includes the perpetual usufruct right obtained by the Company free of charge recognized based on the administrative decision being the grounds for establishing the annual charge, considering the deferred tax effect. The revaluation reserve also includes the results of the change of the allocation of fixed assets as at January 1, 2014.

Foreign exchange differences from conversion of foreign operations

Due to the acquisition of companies in 2011, for which the functional currency is the Litas (LTL), the Parent Company converts these statements to the presentation currency, PLN. F/x differences generated in such due to such conversion are recognized directly in a separate item within the equity. F/x differences calculated as at the end of 2014 amounted to PLN 17,392 thousand.

Retained earnings

The undivided financial result of the Group covers the current result for a given financial year. The dividend may be paid based on the financial result set in the annual unitary financial statements of the Parent entity prepared for the statutory purposes.

(data in PLN thousand, unless indicated otherwise)

Other total income by individual equity items

	Equity attributable to shareholders of parent entity								
	Share capital	**Share premium**	**Revaluation reserve**	**Other capital reserves**	**Foreign exchange differences on translation of foreign operations**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
As at 31.12.2014									
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:	**-**	**-**	**-**	**(2 079)**	**-**	**-**	**(2 079)**	**(12)**	**(2 091)**
Gains on revaluation charged to revaluation reserve	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses)	-	-	-	(2 079)	-	-	(2 079)	(12)	(2 091)
Other comprehensive income, which will be reclassified to profit or loss:	**-**	**-**	**-**	**(3 724)**	**6 785**	**-**	**3 061**	**(1 318)**	**1 743**
Foreign exchange differences on translation of foreign operations	-	-	-	-	6 785	-	6 785	13	6 798
Cash flow hedging instruments	-	-	-	(3 724)	-	-	(3 724)	(1 331)	(5 055)
Other comprehensive net income	**-**	**-**	**-**	**(5 803)**	**6 785**	**-**	**982**	**(1 330)**	**(348)**

(data in PLN thousand, unless indicated otherwise)

	Equity attributable to shareholders of parent entity								
	Share capital	**Share premium**	**Revaluation reserve**	**Other capital reserves**	**Foreign exchange differences on translation of foreign operations**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
As at 31.12.2013									
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:	**-**	**-**	**-**	**4 444**	**-**	**-**	**4 444**	**-**	**4 444**
Gains on revaluation charged to revaluation reserve	-	-	-	5 762	-	-	5 762	-	5 762
Actuarial gains/(losses)	-	-	-	(1 318)	-	-	(1 318)	-	(1 318)
Other comprehensive income, which will be reclassified to profit or loss:	**-**	**-**	**-**	**(270)**	**3 072**	**-**	**2 802**	**(94)**	**2 708**
Foreign exchange differences on translation of foreign operations	-	-	-	-	3 072	-	3 072	(2)	3 070
Cash flow hedging instruments	-	-	-	(270)	-	-	(270)	(92)	(362)
Other comprehensive net income	**-**	**-**	**-**	**4 174**	**3 072**	**-**	**7 246**	**(94)**	**7 152**

(data in PLN thousand, unless indicated otherwise)

34. Non-controlling shares

	31.12.2014 Audited	31.12.2013 Modified
As at start of period	**2 260**	**1 768**
Increases, including:	**1 102**	**499**
- changes in ownership interests in subsidiaries that do not result in loss of control	-	499
- proceeds from payment to capital of a subsidiary from holders of non-controlling interest	1 088	-
- other	14	-
Decreases, including:	**(769)**	**(7)**
- total comprehensive income for the period	(476)	(7)
- dividend paid to non-controlling interests	(293)	-
As at end of period	**2 593**	**2 260**

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

35. Provisions

	Provisions for recultivation	Provision for costs	Provisions for litigious liabilities	Provisions for correction works	Provisions for bonuses	Provisions for balance sheet audit	Other provisions	Total
As at 1.01.2014 Modified	**766**	**6 110**	**654**	**6 688**	**7 311**	**251**	**1 369**	**23 149**
Recognised in income statement:								
- provision creation	-	786	1 438	1 244	16 287	358	270	20 383
- movements between	-	-	-	120	-	-	(120)	-
- release of unused provisions	-	-	-	(747)	(1 060)	(6)	(190)	(2 003)
- use of provisions	-	(6 845)	(92)	(392)	(7 207)	(415)	(35)	(14 986)
- variances due to currency	22	-	2	37	200	3	-	264
Total	**22**	**(6 059)**	**1 348**	**262**	**8 220**	**(60)**	**(75)**	**3 658**
As at 31.12.2014	**788**	**51**	**2 002**	**6 950**	**15 531**	**191**	**1 294**	**26 807**

	Provisions for recultivation	Provision for costs	Provisions for litigious liabilities	Provisions for correction works	Provisions for bonuses	Provisions for balance sheet audit	Other provisions	Total
As at 1.01.2013 Modified	**780**	**-**	**973**	**5 680**	**3 778**	**351**	**1 867**	**13 429**
Recognised in income statement:								
- provision creation	-	6 110	136	2 432	7 220	461	310	16 669
- movements between	-	-	-	-	-	-	-	-
- release of unused provisions	-	-	(193)	(280)	-	(112)	-	(585)
- use of provisions	(25)	-	(266)	(1 163)	(3 697)	(448)	(808)	(6 407)
- variances due to currency	11	-	4	19	10	(1)	-	43
Total	**(14)**	**6 110**	**(319)**	**1 008**	**3 533**	**(100)**	**(498)**	**9 720**
As at 31.12.2013 Modified	**766**	**6 110**	**654**	**6 688**	**7 311**	**251**	**1 369**	**23 149**

(data in PLN thousand, unless indicated otherwise)

Ageing structure of reserves:

	31.12.2014 Audited	31.12.2013 Modified
Long-term	4 912	4 226
Short-term	21 895	18 923
Total	**26 807**	**23 149**

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

36. Employee benefit liabilities

Liabilities due to reserves for retirement and severance benefit and jubilee awards:

	Provision for retirement and disability benefits	Provision for jubilee awards
As at 1.01.2014 Modified	**4 344**	**8 649**
Total costs recognised in profit and loss account:		
- Interest costs	218	322
- Current service costs	2 271	864
- Past service costs	(314)	(672)
Actuarial losses (profit) recognised in other comprehensive income	935	1 646
Benefits paid	(629)	(3 271)
Exchange rate differences	46	-
As at 31.12.2014	**6 871**	**7 539**

	Provision for retirement and disability benefits	Provision for jubilee awards
As at 1.01.2013 Modified	**3 721**	**8 108**
Total costs recognised in profit and loss account:		
- Interest costs	209	402
- Current service costs	996	1 184
- Past service costs	(438)	(643)
Actuarial losses (profit) recognised in other comprehensive income	170	1 457
Benefits paid	(320)	(1 860)
Exchange rate differences	6	-
As at 31.12.2013 Modified	**4 344**	**8 649**

(data in PLN thousand, unless indicated otherwise)

Liabilities due to reserves for unused annual leave and other employee benefits:

	Provision for unused leaves	Provision for other benefits
As at 1.01.2014 Modified	**6 470**	**206**
Recognised in income statement:		
- provision creation	6 851	-
- release of unused provision	(14)	(206)
- use of provision	(5 205)	-
Variances due to currency translation	72	-
Total	**1 704**	**(206)**
As at 31.12.2014	**8 174**	**-**

	Provision for unused leaves	Provision for other benefits
As at 1.01.2013 Modified	**6 345**	**22**
Recognised in income statement:		
- provision creation	6 276	1 059
- release of unused provision	(836)	-
- use of provision	(5 341)	(875)
Variances due to currency translation	26	-
Total	**125**	**184**
As at 31.12.2013 Modified	**6 470**	**206**

Ageing structure of liabilities due to employee benefits:

	31.12.2014 Audited	31.12.2013 Modified
Long-term	11 961	10 318
Short-term	10 623	9 352
Total	**22 584**	**19 670**

Principles of creating provisions for employee benefits:

The Group pays the retiring employees amounts of severance payments in the amount specified by the Remuneration Regulations. Therefore, the Group based on the valuation performed on the grounds of actuarial method, creates a reserve for the current amount of liabilities due to retirement and severance benefits and jubilee awards.

The average discounting rate in the Group used to estimate the amount of provisions for employee benefits at the end of 2014 amounted to 4.0% (31/12/2013: 3.75% - 9%). The average expected growth of remuneration in the Group was adopted at the level of 1.0% - 2.0% (31/12/2013: 0.6%).

The table below presents the sensitivity of analysis of liabilities due to employee benefits:

Factor applied	Reasonably possible change of the factor	Liabilities due to employee benefits	
		increase	decrease
Discount rate	+/- 1%	(666)	753
Salary increase rate	+/- 1%	755	(680)

The current value of liabilities due to future employee benefits is equal to their balance sheet value.

(data in PLN thousand, unless indicated otherwise)

37. Interest-bearing credits and loans

Interest-bearing long-term credits and loans

	31.12.2014 Audited	31.12.2013 Modified
Bank loans	62 423	8 950
- investment loans	14 003	8 950
- working capital loans	19 180	-
- project purpose loans	29 240	-
Loans from other entities	19 148	-
- investment loans	17 562	-
- loans from third parties	1 586	-
Financial lease liabilities	19 660	10 573
Total	**101 231**	**19 523**

Interest-bearing short-term credits and loans

	31.12.2014 Audited	31.12.2013 Modified
Bank loans	14 286	148 134
- investment loans	6 975	50 037
- working capital loans	6 723	77 295
- overdraft	-	20 802
- project purpose loans	588	-
Loans from other entities	9 529	11 182
- investment loans	4 121	-
- tax loans	5 408	11 182
Financial lease liabilities	6 267	7 809
Total	**30 082**	**167 125**
Total short and long term loan and credits	**131 313**	**186 648**

Currency structure of credits and loans of the Capital Group:

	31.12.2014 Audited	31.12.2013 Modified
In PLN	48 868	136 804
In foreign currencies - after conversion into PLN, including:	82 445	49 844
in EUR	82 445	49 844
Total	**131 313**	**186 648**

(data in PLN thousand, unless indicated otherwise)

The below table shows long- and short-term liabilities due to credits and loans as at December 31, 2014:

Company name	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	BRE Bank S.A.	overdraft	10 000	PLN	28.01.2016	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	50 000	PLN	30.04.2015	WIBOR O/N + margin	7 000
Trakcja PRKiI S.A.	Alior Bank S.A.	working capital	45 000	PLN	30.04.2015	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	PKO BP S.A.	working capital	44 000	PLN	03.07.2016	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	mLeasing	investment	22 400	PLN	16.09.2019	WIBOR 1M + margin	21 683
PRK 7 Nieruchomości Sp. z o.o.	Bank Ochrony Środowiska S.A.	investment	19 000	PLN	30.03.2016	WIBOR 1M + margin	-
AB Kauno Tiltai	Nordea Dnb	working capital	18 000	EUR	31.08.2016	EURIBOR 3M + margin	18 902
AB Kauno Tiltai	Nordea Dnb	investment	6 668	EUR	01.04.2017	EURIBOR 3M + margin	20 978
AB Kauno Tiltai	Nordea Dnb	investment	5 685	EUR	01.04.2016	EURIBOR 3M + margin	-
AB Kauno Tiltai	Nordea Dnb	investment	2 285	EUR	01.04.2015	EURIBOR 3M + margin	-
AB Kauno Tiltai	Litewski Urząd Skarbowy	tax loan	5 841	LTL	25.05.2015	non-interest bearing	5 408
UAB Palangos aplinkkelis	SEB Bank	project purpose loans	8 500	EUR	31.05.2028	EURIBOR 3M + margin	29 829
UAB Pletros investicijos	Šiaulių plentas UAB	loan from other entities	397	EUR	31.12.2028	fixed interest rate	1 586
						Total	**105 386**

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

The Group has unused credit limits in the amount of PLN 206 million.

The fair value of credits and loans is not different from their book value.

38. Bonds

Liabilities due to issue of bonds as at December 31, 2014 amounted to PLN 32,360 thousand.

General information concerning bonds held by the Group as at December 31, 2014:

Bond series	Issue date	Maturity date	Nominal value of 1 bond (in ths. PLN)	Series nominal value (in ths. PLN)	Interest	Book value of series according to amortised cost (in ths. PLN)
C	31.01.2013	31.12.2015	1 000	29 529	WIBOR 6M + 3,75%	29 370
E	31.01.2013	31.12.2015	1 000	3 007	WIBOR 6M + 4,75%	2 990

On December 18, 2014, the Company purchased for redemption purposes 17,914 E-series bearer bonds with the nominal value of PLN 1,000 each and the total nominal value of PLN 17,914.

After the balance sheet date, i.e. on January 22, 2015 the Management of Krajowy Depozyt Papierów Wartościowych S.A. passed a resolution on withdrawing 17,914 of E-series bearer bonds from the deposit maintained by KDPW. As a result, after the redemption, as at January 26, 2015 there remained 3,007 E-series bearer bonds marked with the ISIN code: PLTRKPL00089.

(data in PLN thousand, unless indicated otherwise)

Ageing structure of reserves:

	31.12.2014 Audited	31.12.2013 Modified
Long-term	-	49 926
Short-term	32 360	-
Total	**32 360**	**49 926**

Interest is paid at interest payment 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 series and at the maturity date of bonds of C and E series.

39. Other financial liabilities

The item "Other Financial Liabilities" presents the factoring liability in the amount of PLN 38,338 thousand. The Company concluded a factoring agreement with recourse on May 10, 2013. The current financing limit established based on the annex to the agreement of December 09, 2014 amounts to PLN 100,000 thousand. Factoring interest shall be charged based on the variable WIBOR O/N rate, plus a fixed margin of the Factor.

40. Financial derivatives

	31.12.2014 Audited	31.12.2013 Modified
Derivaties		
Fair value hedging (assets)	-	-
Fair value hedging (liabilities)	6 488	570
including:		
- recognized among non-current assets	-	-
- recognized among current assets	-	-
- recognized among long-term liabilities	6 102	570
- recognized among short-term liabilities	386	-

Cash flow hedging instruments

On June 05, 2013 the subsidiary of Trakcja PRKiI, i.e. UAB Palangos aplinkkelis concluded an interest rate swap (IRS) to secure future cash flows due to planned interest payments on the term loan. Pursuant to the agreement, the company is a payee of amounts according to a fixed rate, whereas the bank is a payee of amounts according to a variable rate. The date of expiry of the hedging relationship was set at May 31, 2028. The fair value of the IRS contract is calculated as the current value of estimated future cash flows based on the observation of income curves. As at December 31, 2014, the influence of the valuation of the above hedging instrument on total income was negative and amounted to PLN 5,055 thousand. The Group assessed the effectiveness of the hedge of the concluded IRS transaction. During the reporting period, the hedge on the interest rate change was highly effective, therefore no ineffective part due to IRS valuation has been identified or recognized in the profit and loss statement.

Other derivatives

During the reporting period, the Group concluded option contracts for interest rates and interest rate swaps (IRS). The Group did not conclude any derivative contracts for speculation purposes. The Group did not apply hedge accounting during reporting periods covered by these statements in regard to IRS contracts and options, therefore these were valuated at fair value through the financial result. In 2014, valuation of financial instruments recognized in the profit and loss account was at PLN 356 thousand and in 2013 the value was at PLN 144 thousand.

The fair value of the aforementioned IRS contracts is calculated as the current value of estimated future cash flows based on the observation of income curves. The IRS contract recognized in the balance sheet as at December 31, 2014 was classified as level 2 of the fair value hierarchy. During the financial year there were no transfers between levels 1, 2 and 3.

(data in PLN thousand, unless indicated otherwise)

	31.12.2014 Audited	Level 1	Level 2	Level 3
Derivatives	-	-	6 488	-

	31.12.2013 Modified	Level 1	Level 2	Level 3
Derivatives	**570**	-	570	-

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.

41. Trade liabilities

	31.12.2014 Audited	31.12.2013 Modified
Trade liabilities, before discounting	323 988	263 273
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	**323 988**	**263 273**
including:		
- liabilities from related entities	3 381	2 518
Amounts held	37 588	49 636
Budgetary liabilities	21 115	53 429
Payroll liabilities	4 377	4 336
Other liabilities towards third parties	1 538	641
Dividends and other distributions	10	40
Total trade and other liabilities	**388 616**	**371 355**

Liabilities from the related companies are shown in note No. 58.

Trade liabilities and retained amounts

	31.12.2014 Audited	31.12.2013 Modified
Trade liabilities before discounting	361 576	312 910
With maturity within 12 months	360 178	308 284
With maturity over 12 months	1 398	4 626
Liability discounting	-	-
Total, Trade liabilities after discounting	**361 576**	**312 910**

Liabilities with more than 12 months' maturity encompass retained amounts. The structure of the maturity of total retained amounts is presented in the table below:

Maturity	31.12.2014 Audited	31.12.2013 Modified
Up to 12 months	36 383	49 636
Over 12 months	1 205	-
Total	**37 588**	**49 636**

The Group resigned from recognizing discounting of liabilities due to its small significance.

Due to the short-term nature of trade liabilities, their balance sheet value is close to the fair value.

(data in PLN thousand, unless indicated otherwise)

Currency structure of trade liabilities and other liabilities:

	31.12.2014 Audited	31.12.2013 Modified
In PLN	289 639	266 073
In foreign currencies - after conversion into PLN, including:	98 977	105 282
in EUR	3 396	21 795
in LTL	95 229	83 487
in other currencies	352	-
Total	**388 616**	**371 355**

Principles and conditions of liabilities payment:

Liabilities by virtue of supplies and services are not interest bearing and usually are settled from 30 to 60 days. Liabilities more than 12 months are withheld amounts related to execution of the construction and installation contracts in order to correctly and on time execute the contract. The remaining liabilities are not interest bearing, with an average one month maturity term. The amount resulting from the difference between the liabilities and receivables by virtue of goods and services tax is paid to proper tax bodies within the periods resulting from tax regulations. Liabilities by virtue of interests are usually settled based on accepted interest notes.

42. Liabilities due to operating lease – the Group as a lessee

The Group, as the lessee, as at December 31, 2014 and as at December 31, 2013, had the following irrevocable operating lease agreements.

The Group uses tangible fixed assets, mainly means of transport, machines and technical equipment. Lease periods are from 3 to 5 years.

The cost of lease fees within the scope of operational lease (lease and tenancy agreements etc.) recognized in the consolidated financial result as at December 31, 2014 amounts to PLN 591 thousand (as at December 31, 2013: PLN 961 thousand).

Total amounts of future minimum lease fees due to operating lease are as follows:

	31.12.2014 Audited	31.12.2013 Modified
Within 1 year	136	393
Within 1 to 5 years	-	76
Total	**136**	**469**

Operating lease also includes the right of perpetual usufruct of land acquired free of charge, in the amount of PLN 1,567 thousand.

Future fees for perpetual usufruct of land:

	31.12.2014 Audited	31.12.2013 Modified
Within 1 year	830	940
Within 1 to 5 years	3 319	3 761
Over 5 lat	-	-
Total	**4 149**	**4 701**

Liabilities due to perpetual usufruct of land were estimated based on annual rates of fees resulting from latest administrative decisions and the period of using the relevant land.

43. Liabilities from finance leasing agreements

The Group uses a part of the production equipment within the scope of the financial lease. The Group is able to purchase leased equipment for its nominal value at the end of the term of the agreement. The Group's liabilities pursuant to financial lease agreements are secured with rights of lessors concerning components of assets covered by the agreement.

(data in PLN thousand, unless indicated otherwise)

	31.12.2014 Audited	31.12.2013 Modified
Nominal value of minimum leasing fees		
Within 1 year	7 298	6 123
Within 1 to 5 years	21 801	14 521
Total financial lease liabilities - total minimum leasing fees	**29 099**	**20 644**
Financial costs on account of financial lease	**(3 172)**	**(2 262)**
Present value of minimum leasing fees		
Within 1 year	6 267	7 809
Within 1 to 5 years	19 660	10 573
Total present value of minumum leasing fees	**25 927**	**18 382**

Ageing structure of lease liabilities:

	31.12.2014 Audited	31.12.2013 Modified
Long-term	19 660	10 573
Short-term	6 267	7 809
Total	**25 927**	**18 382**

44. Accruals

	31.12.2014 Audited	31.12.2013 Modified
VAT due on the payments to the escrow account	-	64
Future revenue clearings	370	6
Total	**370**	**70**

Ageing structure of prepayments and accruals:

	31.12.2014 Audited	31.12.2013 Modified
Long-term	-	-
Short-term	370	70
Total	**370**	**70**

45. Advance payments towards apartments

Within this item the Group presented customers advance payments towards the purchase of flats.

46. Information about the financial instruments

During the period covered by the annual consolidated financial statements and during the comparable period, the Group held the following financial instruments:

- financial assets and liabilities valuated at fair value through the financial result - forward currency contracts, IRS contracts - financial assets due to concession agreements;
- financial assets kept until maturity - bank guarantees representing security of a guarantee granted to the Group by banks;
- granted loans and own receivables – cash and short-term deposits, trade receivables, and other receivables apart from budget receivables, short-term loans granted to entities outside of the Capital Group;
- financial liabilities valuated at amortized cost – bank credits, bonds, lease and factoring liabilities, trade liabilities, and other liabilities apart from budget liabilities;
- financial assets available for sale – other financial assets not assigned to other categories.

(data in PLN thousand, unless indicated otherwise)

	Financial assets at fair value through profit or loss	**Financial liabilities at fair value through profit or loss**	**Loans and receivables**	**Financial assets held to maturity**	**Financial liabilities measured at amortised cost**
As at 1.01.2014 Modified	**-**	**570**	**583 094**	**57 940**	**589 218**
Increases	**-**	**5 946**	**59 871**	**231 112**	**650 495**
Acquisition, establishment	-	-	59 871	231 112	648 006
Valuation	-	5 946	-	-	2 489
Decreases	**-**	**(144)**	**(21 906)**	**(265 409)**	**(672 112)**
Sale, dissolution, repayment	-	-	(21 906)	(265 409)	(672 112)
Valuation	-	(144)	-	-	-
Variances due to currency translation	**-**	**116**	**638**	**610**	**1 910**
As at 31.12.2014	**-**	**6 488**	**621 697**	**24 253**	**569 511**
including:					
Disclosed in balance sheet, indicating balance sheet item					
recognised as non-current assets					
Other financial assets	-	-	36 394	19 619	-
Total	**-**	**-**	**36 394**	**19 619**	**-**
recognised as current assets					
Trade and other receivables	-	-	517 677	-	-
Other financial assets	-	-	5 833	4 579	-
Cash and cash equivalents	-	-	61 846	-	-
Total	**-**	**-**	**585 356**	**4 579**	**-**
recognised as long-term liabilities					
Interest-bearing bank loans and borrowings	-	-	-	-	101 231
Derivatives	-	6 102	-	-	-
Total	**-**	**6 102**	**-**	**-**	**101 231**
recognised as short-term liabilities					
Interest-bearing bank loans and borrowings	-	-	-	-	30 082
Trade and other liabilities	-	-	-	-	367 500
Other financial liabilities	-	-	-	-	38 338
Bonds	-	-	-	-	32 360
Derivatives	-	386	-	-	
Total	**-**	**386**	**-**	**-**	**468 280**
Total	**-**	**6 488**	**621 750**	**24 199**	**569 511**

(data in PLN thousand, unless indicated otherwise)

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Loans and receivables	Financial assets held to maturity	Financial liabilities measured at amortised cost
As at 1.01.2013 Modified	**29**	**59**	**275 381**	**49 086**	**517 800**
Increases	**-**	**794**	**347 000**	**47 955**	**575 094**
Acquisition, establishment	-	363	347 000	46 805	575 053
Valuation	-	431	-	-	41
Re-classification	-	-	-	1 150	-
Decreases	**(29)**	**(279)**	**(39 278)**	**(39 740)**	**(505 381)**
Sale, dissolution, repayment	(29)	(279)	(39 278)	(39 740)	(505 355)
Valuation	-	-	-	-	(26)
Variances due to currency translation	**-**	**(4)**	**(9)**	**639**	**1 705**
As at 31.12.2013 Modified	**-**	**570**	**583 094**	**57 940**	**589 218**
including:					
Disclosed in balance sheet, indicating balance sheet item					
recognised as non-current assets					
Other financial assets	-	-	695	24 970	-
Total	**-**	**-**	**695**	**24 970**	**-**
recognised as current assets					
Trade and other receivables	-	-	496 675	-	-
Other financial assets	-	-	2 125	32 970	-
Cash and cash equivalents	-	-	83 599	-	-
Total	**-**	**-**	**582 399**	**32 970**	**-**
recognised as long-term liabilities					
Interest-bearing bank loans and borrowings	-	-	-	-	19 523
Derivatives	-	570	-	-	-
Bonds	-	-	-	-	49 926
Total	**-**	**570**	**-**	**-**	**69 449**
recognised as short-term liabilities					
Interest-bearing bank loans and borrowings	-	-	-	-	167 125
Trade and other liabilities	-	-	-	-	317 926
Other financial liabilities	-	-	-	-	34 718
Total	**-**	**-**	**-**	**-**	**519 769**
Total	**-**	**570**	**583 094**	**57 940**	**589 218**

(data in PLN thousand, unless indicated otherwise)

47. Fair value of financial instruments

Comparison of the fair value and book value:

	As at 31.12 2014		As at 31.12 2013	
Classes of financial instruments	**Book value**	**Fair value**	**Book value**	**Fair value**
Loans granted	2 179	2 179	2 125	2 125
Bank guarantee deposits	24 199	24 199	57 837	57 837
Advances for purchase of shares	-	-	103	103
Financial assets related to the concession agreement	40 047	40 047	695	695
Trade and other receivables (excluding budgetary receivables)	517 677	517 677	496 675	496 675
Cash and cash equivalents	61 846	61 846	83 599	83 599
Derivatives (liability)	6 488	6 488	570	570
Loans & credits taken and financial leasing liability	131 313	131 313	186 648	186 648
Bonds	32 360	33 039	49 926	50 450
Factoring liability	38 338	38 338	34 718	34 718
Trade and other liabilities (excluding budgetary liablities)	367 500	367 500	317 926	317 926

Methods and assumptions - in case of using the valuation technique - adopted during determination of fair values of individual categories of financial instruments.

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

Granted loans and incurred credits and loans are based on variable market rates pursuant to WIBOR, hence their fair value is close to the balance sheet value.

The fair value of bonds was established on the basis of their price listed on the Catalyst bonds market as at the balance sheet date (or close).

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

The Group applies the following hierarchy of establishing and disclosing the fair value of financial instruments valuated at fair value, depending on the selected valuation method:

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

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

Level 3 – prices not from active markets.

Financial instrument measured in fair value	**Level 1**		**Level 2**		**Level 3**	
	31.12.2014	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Derivatives (liability)	-	-	6 488	570	-	-

Both during the reporting period and during the comparable period, there were no shifts between level 1 and 2 of the hierarchy of fair value, nor were any of the instruments moved from the level 2 to 3 of the fair value hierarchy.

(data in PLN thousand, unless indicated otherwise)

48. Goals and principles of managing the financial risk:

Currency risks

Due to the conversion of certain items of the profit and loss account of Lithuanian companies based on the average exchange rate for the period covered by consolidation, the Group's consolidated financial results are threatened by the fluctuations of the Polish zloty in comparison to the Litas. Furthermore, there is currency risk arising from purchasing transactions made in EUR related to the implementation of contracts. In the past the Group's activities are exposed to the fluctuations of foreign currency exchange rates, in particular, to the fluctuations of Polish zloty against Euro.

Interest rate risk- susceptibility to changes

As form January 1, 2015, the applicable currency in Lithuania is the Euro. Therefore, cash, assets and liabilities held by the Group as of December 31, 2014 and expressed in Litas have been converted for the purpose of the below sensitivity analysis to the Euro based on the fixed exchange rate applicable in Lithuania.

The analysis of the impact of the variability of the PLN / EUR exchange rate on the financial result, cash, assets and liabilities as at December 31, 2014 is presented below.

Change of PLN/EUR exchange rate in reference to 31 December 2014		PLN / EUR exchange rate	Gross impact on the period result	Podatek odroczony	Net impact on the period result / Impact on equity
+	0,20 PLN/EUR	4,4623	2 713	516	2 198
+	0,10 PLN/EUR	4,3623	1 357	258	1 099
-	0,10 PLN/EUR	4,1623	(1 357)	(258)	(1 099)
-	0,20 PLN/EUR	4,0623	(2 713)	(516)	(2 198)

Change of PLN/EUR exchange rate in reference to 31 December 2014		PLN / EUR exchange rate	Impact on cash assets
+	0,20 PLN/EUR	4,4623	1 489
+	0,10 PLN/EUR	4,3623	745
-	0,10 PLN/EUR	4,1623	(745)
-	0,20 PLN/EUR	4,0623	(1 489)

Change of PLN/EUR exchange rate in reference to 31 December 2014		PLN / EUR exchange rate	Impact on cash assets
+	0,20 PLN/EUR	4,4623	8 854
+	0,10 PLN/EUR	4,3623	4 427
-	0,10 PLN/EUR	4,1623	(4 427)
-	0,20 PLN/EUR	4,0623	(8 854)

Change of PLN/EUR exchange rate in reference to 31 December 2014		PLN / EUR exchange rate	Impact on liabilities
+	0,20 PLN/EUR	4,4623	8 491
+	0,10 PLN/EUR	4,3623	4 245
-	0,10 PLN/EUR	4,1623	(4 245)
-	0,20 PLN/EUR	4,0623	(8 491)

The dependence of the Group on fluctuations of the USD rate is small and concerns mainly the prices of goods made of copper, which are listed on international stock exchanges in USD.

Risk related to growth of the overdue receivables portfolio

As of the date of these annual consolidated financial statements, the Group controls the level of overdue receivables. It cannot be excluded that contracting parties in the future will not be able to cover on time their liabilities which can negatively influence the financial standing of the Capital Group.

(data in PLN thousand, unless indicated otherwise)

Risk related to liquidity

Similarly to most entities operating in the construction industry, also the Group experiences seasonality of sale, which is characterized by generating most sales revenues in the second half of the calendar year, and a significantly lower level of revenues generated in quarter one, which is of high importance for the management of liquidity and the need for working capital in the Group. The Group's liquidity is also affected by the fact that its major recipients obtain financial resources for purchase of services provided by the Group from grants of the Government of Poland, the Government of Lithuania, and European Union donations. Legal regulations representing the grounds for such donations do not allow their transfer to financing VAT tax. It cannot be excluded, that receivables due to VAT can be regulated by the recipients to the benefit of the Group with delay, which fact shall not release the Group from the obligation to pay the tax within the timeframe stipulated in the Act.

Irregularity of inflows from recipients may adversely affect the liquidity of the Parent Company and the Group. On the other hand, Trakcja Group, while performing the construction contracts, obtains advance money for performing the works in amounts from 10% to 20%, which improves the financial liquidity and enables financing the initial costs of construction regardless of the invoicing for the performed services. Unexpected fluctuations within the scope of liquidity and unexpected growth of demand for working capital may significantly and negatively influence the financial standing of the Capital Group.

To minimize the risk relating to loss of liquidity, the Group takes advantage of external sources of financing in the form of credits (revolving credits, overdrafts, and investment credits), bonds and factoring. The balance of liabilities due to credits and loans as at December 31, 2014 along with their maturity dates are presented in Note 38. Maturity dates of C and E series bonds issued by the Parent Company are set at December 31, 2015. Interest on bonds is payable on June, 30 and December 31 every year, starting from the date of issue until the maturity of C and E series bonds, and on the maturity date of C and E series bonds. Additionally, the Group invests the excess of cash on interest-bearing current accounts, term deposits, money market deposits, selecting instruments with appropriate maturity or sufficient liquidity to ensure sufficient reserve.

The table below presents the analysis of the Group's financial liabilities in net amounts, according to maturity dates, respectively for the maturity term remaining as at the balance sheet date to the contractual maturity date. Amounts disclosed in the table comprise contractual undiscounted cash flows.

As at 31.12.2014	**Within 1 year**	**From 1 to 5 years**	**Over 5 years**
Interest-bearing loans and borrowings	23 815	54 678	26 893
Financial leasing liability	6 267	19 660	-
Factoring liability	38 338	-	-
Bonds	32 360	-	-
Derivative financial instruments	386	6 102	-
Trade and other liabilities	366 102	1 398	-

As at 31.12.2013 Modified	**Within 1 year**	**From 1 to 5 years**	**Over 5 years**
Interest-bearing loans and borrowings	159 316	8 950	-
Financial leasing liability	7 809	10 573	-
Factoring liability	34 718	-	-
Bonds	-	49 926	-
Derivative financial instruments	-	570	-
Trade and other liabilities	313 300	4 626	-

(data in PLN thousand, unless indicated otherwise)

Interest rate risk

As at December 31, 2014, there is a risk relating to changes of interest rates in regard to the interest rate on credits and loans incurred by Trakcja Group, bonds issued by the Parent Company with a variable interest rate, liabilities due to factoring and liabilities due to financial lease. Detailed information concerning credits and loans incurred by the Group are included in Note 38, whereas information concerning bonds was presented in Note 39.

The analysis of the impact of the interest rate variability onto the financial result of the Group as on December 31, 2014 and December 31, 2013 was presented below. To carry out the sensitivity analysis concerning interest rates changes, these were assessed as at December 31, 2014 and as at December 31, 2013 at the rationally foreseen level, i.e. -1/+1 percentage point.

	Value at the balance-sheet date	**Sensitivity to changes as at 31.12.2014**	
		+ 100 pb (PLN, EUR)	**- 100 pb (PLN, EUR)**
Trade receivables (present value)	521 731		
Trade payables (present value)	361 576		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	86 045	792	(792)
Loans and credits, factoring liability, bonds (nominal value/interest)	202 012	(2 846)	2 846
Gross impact on period result and net assets		**(2 054)**	**2 054**
Deferred tax		(390)	390
Total		**(1 664)**	**1 664**

	Value at the balance-sheet date	**Sensitivity to changes as at 31.12.2013**	
		+ 100 pb (PLN, EUR)	**- 100 pb (PLN, EUR)**
Trade receivables (present value)	514 724		
Trade payables (present value)	312 910		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	141 436	1 251	(1 251)
Loans and credits, factoring liability, bonds (nominal value/interest)	271 292	(3 083)	3 083
Gross impact on period result and net assets		**(1 831)**	**1 831**
Deferred tax		(348)	348
Total		**(1 483)**	**1 483**

Risk of changed prices of raw materials

Due to the fact that in its operations the Group uses numerous raw materials such as goods from steel, copper, aggregate and goods from concrete, it is directly threatened by changes in prices of such raw materials. The policy of limiting the risk of raw materials prices changes administered by the Group, does not allow its complete elimination. Therefore, larger fluctuations of prices of raw materials may have substantially adverse effect on the financial situation of the Capital Group. Thanks to the initiative of implementing the system of central procurement for all realized projects and all organizational units of the infrastructure, the Group intends to achieve substantial and permanent cost savings and optimize procurement processes.

(data in PLN thousand, unless indicated otherwise)

Credit risk

The Group applies a policy of concluding transactions with contractors of high reliability and verified creditworthiness. The evaluation of the credit capacity is performed on regular basis. In case of negative evaluation of the future credit capacity of the contracting party, the Group Companies apply adequate financial or property securities in order to minimize the credit risk. Financial services monitor on current basis the receivables status limiting the bad debt risk. The balance sheet value of financial assets posted in the consolidated financial statement corresponds to the maximum exposure of Trakcja Group to credit risk (without consideration of securities). As at the balance sheet date, 65% of the total receivables of the Group consist of receivables from PKP PLK S.A. (31/12/2011: 45%) there is a significant concentration of credit risk.

Disclosures concerning overdue trade receivables and created write-downs to receivables are presented in Note 30.

The Company cooperates with financial institutions of high credibility. Use of credit limits is subject to regular control. Free cash is deposited in a few banks in order to avoid concentration of risk related to liquid resources.

Maximum exposure to credit risk is equal to the balance-sheet value of the following financial instrument:

The maximum exposure to credit risk	Book value	
	31.12.2014 Audited	**31.12.2013 Modified**
Loans granted	2 179	2 125
Financial assets related to the concession agreement	40 047	695
Trade and other receivables	521 885	497 617
Bank guarantees deposits	24 199	57 837
Cash and cash equivalents	61 846	83 599
Total	**610 109**	**641 178**

Purpose and rules of financial risk management

The Group manages financial risk by way of identifying, monitoring and reporting on risk factors, which aims at limiting the unfavourable currency risk factors on cash flows and the Group's economic result. Derivative instruments in the Group are valuated at fair value. For registration purposes, the Group applies bank valuations. Moreover, the Group applies hedge accounting: interest rate swap (IRS) to secure future cash flows due to planned interest payments on term credits.

49. Balance sheet items valuated at fair value

The table below presents all balance sheet items valuated at fair value indicating the allocated level in the fair value hierarchy.

Financial instrument measured in fair value	Level 1		Level 2		Level 3	
	31.12.2014	**31.12.2013**	**31.12.2014**	**31.12.2013**	**31.12.2014**	**31.12.2013**
Derivatives (liability)	-	-	6 488	570	-	-
Investment property	-	-	-	-	22 960	30 324

Assumptions adopted in determining fair values:
- of individual categories and financial instruments were presented in Note 47 of Additional information and explanations;
- of investment properties were presented in Note 23 of Additional information and explanations.

50. Conditional receivables and liabilities

The Group has receivables and conditional liabilities due to legal claims arising during normal business activity. The table below presents the Group's receivables and contingent liabilities as of the balance sheet date, December 31, 2014 and December 31, 2013.

(data in PLN thousand, unless indicated otherwise)

	31.12.2014 Audited	31.12.2013 Modified
Contingent receivables		
From related entities due to:	**7 237**	**716**
Received guarantees and sureties	7 237	716
From related entities due to:	**152 899**	**182 355**
Received guarantees and sureties	143 433	167 837
Bills of exchange received as collateral	9 466	14 518
Total contingent receivables	**160 136**	**183 071**
From related entities due to:		
From related entities due to:	**7 237**	**716**
Provided guarantees and sureties	7 237	716
From other entities due to:	**2 332 865**	**3 076 804**
Provided guarantees and sureties	468 567	598 066
Promissory notes	403 850	493 193
Mortgages	307 284	237 118
Assignment of receivables	1 014 748	1 575 012
Assignment of rights under insurance policy	60 777	71 045
Security deposits	33 981	58 336
Other liabilities	43 658	44 034
Total contingent liabilities	**2 340 102**	**3 077 520**

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

As a result of the concluded employment contracts with employees and the Management Board, the Group as per December 31, 2014 possessed contingent receivables amounting to PLN 1,638 thousand (31/12/2013: PLN 1,727 thousand) and in case of the manager's breach of his obligations defined in Article 1 of the Non-Competition Agreement, this manager will pay, immediately and without a termination notice or any demand from the Group, liquidated damages in favour of the Group in an amount in PLN equivalent to EUR 25,000 for each instance of infringement and an amount in PLN equivalent to EUR 1,000 for each day in which such an infringement takes place or is continued as well as contingent liabilities in an amount of PLN 9,289 thousand (31/12/2013: PLN 9,504 thousand).

Tax settlements and other fields of the business that are subject to regulations (e.g. customs and currencies), may the subject of administrative bodies' control, which are entitled to impose high penalties and sanctions. Lack of reference to fixed legal regulations in Poland and Lithuania causes the occurrence of ambiguities and inconsistencies in obligatory regulations. Frequent differences in opinions as to legal interpretation of tax regulations both inside the national bodies and between the national bodies and companies, create the fields of conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with a more development tax system. Tax settlements may be the subject to control for the period of five years, starting at the end of year in which the tax was paid. As a result of the performed controls, current tax settlements of the Group may be increased by additional tax obligations. In the Group's opinion, at the end of 2014, proper reserves were prepared for recognized and measurable tax risk.

51. Receivables due to operating lease – Group as the lessor

The Group is a party to lease contracts, where it acts as the lessor. These contracts relate to lease of premises in the Group's real estate and tenancy of the real estate in the form of the natural aggregate deposit. The lessee is not able to purchase components of assets covered by the lease after the expiry of the contract.

Total future minimum inflows due to operational lease as at December 31, 2014 and as at December 31, 2013 are as follows:

(data in PLN thousand, unless indicated otherwise)

	31.12.2014 Audited	31.12.2013 Modified
Within 1 year	658	190
Within 1 to 5 years	2 500	760
Over 5 lat	1 900	-
Total	**5 058**	**950**

52. Service Concession Contracts

Public and Private Partnership Contract

The Group concluded service concession contracts within the scope of public and private partnership (Lithuanian Road Authority) and the operator (subsidiaries of the Issuer - UAB Palangos aplinkkelis). Palangos aplinkkelis UAB (PAK) was established in 2013 to perform the investment task in the form of building a road and its future maintenance within the scope of the public and private partnership contract. A 100% shareholder of PAK is Plentros inwesticijos UAB (member of Trakcja Group). Both these companies were created pursuant to the requirements of the Lithuanian Road Authority and tender requirements. The general contractor for road construction will be a joint venture consisting of AB Kauno Tiltai (a subsidiary in Trakcja Group) and Siauliu plentas (a company from outside the Group, holding 25% of interest in the capital of Plentros inwesticijos UAB). AB Kauno Tiltai, being the general contractor, will bear the risk and liability for performed tasks, unless AB Kauno Tiltai outsources over 10% of the value of works to external subcontractors upon a previous consent of the bank, which partially finances this task. In case of a low quality of works performed by external subcontractors, if the status of the road deteriorates the risk and liability will be incurred by the Lithuania Road Authority. Apart from the external source of financing the task, PAK received a loan from AB Kauno Tiltai and Siauliu plentas.

Future road maintenance will be performed based on a contract by AB Kauno Tiltai, whereas PAK will be liquidated after completion of the task.

In 2014, the following amounts were recognized for the provision of construction services within the scope of the concession contract, in exchange for a component of financial assets:

- revenues in the amount of PLN 38,602 thousand (2013: PLN 695 thousand).

- profit in the amount of PLN -536 thousand (2013: PLN 31 thousand).

The Group recognizes financial assets due to the concession contract. The table below presents the change in financial assets due to the concession contract during the financial year.

	31.12.2014 Audited	31.12.2013 Modified
Balance at the beginning of the period	**695**	**704**
Increases	**38 661**	**-**
Acquisition, establishment	38 661	-
Exchange rate differences	**691**	**(9)**
Balance at the end of the period	**40 047**	**695**

53. Important litigate cases and disputes

During the period covered by the financial statements, the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authorities, relating to the Company's liabilities, whose value, individually or in total, exceeded 10 percent of the equity of Trakcja PRKiI S.A.

As at December 31, 2014, during the reporting period there were pending court proceedings concerning the Company's claims and the individual value of which exceeds 10% of the Company's equity amounting to PLN 55,664,100.89. In the Company's opinion, this claim is due.

Case concerning the claim due from Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in composition bankruptcy in Warsaw.

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

According to the Company's knowledge, a list of claims towards PNI was prepared. Claims of Trakcja PRKiI S.A. were accepted in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 due to unpaid invoices and PLN 294,632.29 due to interest for delay in payment. It was refused to accept receivables due to contractual penalties and other claims in the total amount of PLN 44,956,834.35. The Company does not agree with the refusal to accept the aforementioned part of claims; therefore, an objection was submitted to the judge commissioner concerning the refusal in the aforementioned scope. The court rejected the objection, therefore the Company filed a complaint. The case is pending.

Case pending during the reporting period, ended before the date of publication of these financial statements.

In connection with the contract concluded on May 31, 2010 by the consortium led by Trakcja PRKiI, with PKP PLK S.A., in regard to construction works relating to the complex modernization of the station and routes in LCS Działdowo within the scope of the project POIiŚ 7.1-41: "Modernization of the railway line E-65/C-E 65 at the Warsaw - Gdynia section - LCS Działdowo area", the Company informs that the case for the payment to Trakcja PRKiI by PKP PLK S.A. of a contractual penalty (case described in the report for Q3 2014 and previous reports) as a result of conducted negotiations ended with conclusion of a court settlement on February 04, 2015. Pursuant to this settlement, PKP PLK S.A. undertook to pay to the consortium the amount of PLN 15,740,228.58. As of the date of this report, the above amount was paid by PKP PLK S.A.

54. Dividends paid and declared

In 2014, dividend was not paid by Trakcja PRKiI. On June 12, 2014, the Ordinary Shareholders Meeting of Trakcja PRKiI took place, which passed the resolution on assigning the entire net profit for 2013 to cover the losses for the period from January 1, 2012 to December 31, 2012.

(data in PLN thousand, unless indicated otherwise)

55. Assets used as collateral

Assets destined for security:

	31.12.2014 Audited	31.12.2013 Modified
Tangible non-current assets	93 387	107 762
Investment property	22 635	29 145
Inventory	10 792	33 635
Deposits	33 996	58 348
Receivables	283 828	241 729
Cash	30 267	32 978
Total	**474 904**	**503 597**

To secure the Issuer's liabilities towards the holders of C series bonds, on January 23, 2013 the Company concluded a pledge contract, pursuant to which a pledge was registered in the Lithuanian Mortgage Register on all shares of AB Kauno Tiltai held by the Company. The maximum value of the pledge was set at PLN 44,294 thousand.

The pledge shall also cover:

- shares in the subsidiary UAB Kelda, member of the AB Kauno Tiltai Group (value of the established collateral is LTL 300 thousand);

- shares in the subsidiary UAB Palangos aplinkkelis, member of the AB Kauno Tiltai Group (value of the established collateral is LTL 4,154 thousand).

56. Information on incomes, costs and results of abandoned activities

The Group did not suspend any activity as of December 31, 2014 and December 31, 2013.

57. Information on related companies

In 2014, Group companies did not conclude significant transactions with associates on terms other than at arm's length. Transactions concluded by the Parent Company and its subsidiaries (associates) are transactions concluded on market terms and conditions and their character is a result of the current activity conducted by the Parent Company and its subsidiaries.

Transactions between the Company and its subsidiaries being related parties of the Company were eliminated during consolidation and were not covered by this Note. Detailed information concerning transactions between the Group and other related parties are presented below.

(data in PLN thousand, unless indicated otherwise)

Total amounts of transactions concluded with related entities in the given financial year:

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
Shareholders of parent company:							
COMSA S.A.	1.01.14-31.12.14	-	1 274	-	-	-	-
	1.01.13-31.12.13	-	-	-	-	-	9
Joint venture:							
Bahn Technik Wrocław	1.01.14-31.12.14	665	6 976	-	-	-	-
Sp. z o.o.	1.01.13-31.12.13	759	3 160	-	-	-	-
Total	**1.01.14-31.12.14**	**665**	**8 250**	**-**	**-**	**-**	**-**
	1.01.13-31.12.13	**759**	**3 160**	**-**	**-**	**-**	**9**

Receivables and liabilities from / to related entities at the end of the given financial year:

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders of parent company:					
COMSA S.A.	31.12.2014	-	1 050	-	-
	31.12.2013	-	1 084	-	-
Joint venture:					
Bahn Technik Wrocław Sp. z o.o.	31.12.2014	19	2 331	-	-
	31.12.2013	23	1 434	-	-
Total	**31.12.2014**	**19**	**3 381**	**-**	**-**
	31.12.2013	**23**	**2 518**	**-**	**-**

The Parent Company signed the following agreement with its shareholder: COMSA S.A., relating to granting to Trakcja PRKiI S.A. a licence for the entire technical know-how and a trademark, as well as providing non-material goods in the form: competences, industry knowledge, expert knowledge in terms of organization, operations, sales and technology of COMSA S.A. The contract was concluded at arm's length. Remuneration for providing the above services by COMSA S.A. in 2014 amounted to PLN 1,274 thousand.

Unpaid amounts are not secured and will be settled through the cash item. No guarantees were granted or issued. During the reporting period, no costs due to doubtful and threatened receivables due to transactions with related entities were recognized.

58. Information on the benefits for key personnel

The Management Board of the Parent Company constitutes the key management of the Group.

The remuneration of the Management Board of the Parent Company was presented in the following table.

(data in PLN thousand, unless indicated otherwise)

	Financial year ended			
Remuneration of the Management Board of the Parent company	**31.12.2014 Audited**		**31.12.2013 Modified**	
	In Parent company	**In subsidiaries**	**In Parent company**	**In subsidiaries**
Salaries and other current employee benefits	5 582	1 220	2 988	180
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Benefits due to termination of employment	1 487	-	3 337	-
Share-based payment	-	-	-	-
Total	**7 069**	**1 220**	**6 325**	**180**

The remuneration of the Supervisory Board of the Parent Company:

	Financial year ended			
Remuneration of the Supervisory Board of the Parent company	**31.12.2014 Audited**		**31.12.2013 Modified**	
	In Parent company	**In subsidiaries**	**In Parent company**	**In subsidiaries**
Salaries and other current employee benefits	438	-	307	240
Total	**438**	**-**	**307**	**240**

Details of agreements concluded with management members were described in Section 5.10 whereas additional information concerning the remuneration of members of the Management Board and Supervisory Board are presented in Section 5.9 of the Management Report for Trakcja Group for the financial year ended on December 31, 2014.

In 2014 and 2013, no significant transactions with the Group's management were concluded. In 2014, there were no loans granted to members of the Management Board or Supervisory Board of Trakcja PRKiI.

59. Important events during the fiscal year and falling after the balance sheet date

After the balance sheet date until the day of preparing this annual consolidated financial statement, i.e. March 16, 2015, no events occurred which were not and should be included in the accounting books for the financial year.

(data in PLN thousand, unless indicated otherwise)

Important events in 2014 years	**CR**
Significant agreements - construction contracts	
Conclusion of an annex to contract No. U/07C/012/13 dated 15 April 2013 between the Trakcja PRKiI SA and FCC Construcción SA. Due to the annex, the value of the contract was increased by the net amount of 35,352,344.00 zł. Deadline for completion of the works covered by thecontract was agreed on September 21, 2015.	CR 4/2014
Conclusion of the agreement between the Company and PKP PLK S.A. for performance of the contract involving the execution of complementary design and construction work on the railway station Łódź Widzew from km 4.100 to km 7.2000 railway line No. 17 The net value of the contract: PLN 15,469,388.14 (PLN 19,027,347.41 gross). The agreement is valid until September 30, 2015.	CR 5/2014
Conclusion of 2 annexes to the Agreement No. 90/132/281/00/11000838/10/I/I on the design and execution of construction works on the railway line Krakow - Medic - state border Podłęże - Bochnia in km 16,000 - 39,000 Project "Modernization of railway line 30/CE 30, episode Krakow - Rzeszow, stage III". According to the Ist annex the term of the agreement has been extended until February 11, 2015. According to the second annex the total net value of the contract was changed to the amount of PLN 583,308,849.27.	CR 7/2014
Conclusion of the contract with Przedsiębiorstwo Mechaniczno-Torowe Sp. z o.o. The subject of a contract is the performance of railway works and drainage. The value of the contract: 77 710 780.90 zł. Deadline: December 31, 2014.	CR 9/2014
Signing an annex to the agreement dated 30 June 2014 between Trakcja PRKiI as Leader Consortium and PKP PLK to "the basic line construction works at the section Wrocław - Grabiszyn - Skowowa and Żmigród - border of Silesia Voivodeship within the framework of the Infrastructure and Environment Programme 7.1 - 4 "Modernisation of the railway line E 59 at the section Wrocław - Poznań, Stage 2 - section Wrocław - border of Silesia Voivodeship ("Agreement"), executed on May 24, 2011. Annex changes the date of the contract as at October 16, 2015.	CR 19/2014
Signing an annex to the contract No. P-6/2011 on "Design and execution of construction works on the railway line Kraków - Medyka - country border on section Podłęże - Bochnia 16,000 - 39,000 km" in the framework of the project "Modernization of the railway line E30 / C-E30 episode Kraków - Rzeszów, stage III" concluded between Trakcja PRKiI and Thales Poland Sp. z o.o on May 16, 2011. The Annex changes the date of execution of the agreement on January 11, 2015.	CR 20/2014
Signing an annex to the agreement between Trakcja PRKiI and PKP PLK SA on "Design and execution of construction works on the railway line Kraków - Medyka - country border in section Sedziszów Małopolski - Rzeszów Zachodni km 133.600 - 154.900." The Annex changes the date of execution of the agreement on April 4, 2015.	CR 21/2014
Signing of the agreement between the consortium led by the Parent Company and PKP PLK SA concerning the additional works on contract LCS Malbork project POLiŚ 7.1 - 1.3 "Modernization of the railway line E65 / CE 65 section Warsaw-Gdynia area Iława LCS, LCS Malbork." The net value of the contract: PLN 20,982,861.00.	CR 22/2014
Signing an annex to the contract for the execution of works to modernize line 9 on the section from km 236.920 to km 287.700 covered by the Local Control Center located in Malbork project: 7.1-1.3 POLiŚ "Modernization of E65/CE 65 on the Warsaw - Gdynia - the area Iława LCS, LCS Malbork" concluded between the consortium led by the parent Company and PKP PLK SA. The annex changes the date for completion of works on December 31, 2014.	CR 23/2014
Provide information about the conclusion of negotiations between the Purchaser PKP PLK SA and the Company in the proceedings to award a contract for:"Performance of additional works such as designing and constructing the collision-free two-level crossing of the railway line no. 17 and Niciarniana street in Łódź, under the OPIE 7.1 – 24.2 "Improvement of the Łódź Railway Junction (TEN-t), stage 1, Łódź Widzew – Łódź Fabryczna section"".	CR 34/2014
Signing between Trakcja PRKiI S.A. and PKP PLK S.A. as representative of the Consortium annex to the material agreement for the construction works of the modernisation of line no. 9 on the section from 236,920 km to 287,700 km covered in the area of the Local Control Centre in Malbork, under the Project: No. OPIE 7.1-1.3 "Modernisation of railway line no. E 65/ CE 65 on the section Warsaw – Gdynia – Local Control Centre in Iława, Local Control Centre in Malbork" ("Agreement") concluded on May 27, 2011. Under the annex was changed time limit for completion of the works until June 30, 2015.	CR 38/2014
Signing between Trakcja PRKiI S.A. and PKP PLK S.A. as representative of the Consortium annex to the material agreement for designing and performing construction works on the railway line Cracow – Medyka – the national border along the section Dębica – Sędziszów Małopolski from 111,500 km to 133,600 km under the Project "Modernisation of the railway line E 30/C-E 30, section Cracow – Rzeszów, stage 3"; Tender 2.2 ("Agreement") concluded on December 16, 2010. Under the annex was changed time limit for completion of the works until July 8, 2015.	CR 39/2014

(data in PLN thousand, unless indicated otherwise)

Significant contracts - other

Conclusion by the subsidiary AB Kauno Tiltai, an annex to the credit agreement with the banks, Nordea Bank Finland Plc branch in Lithuania and AB DNB bankas. The subject of the annex is an extension of the credit line granted to AB Kauno Tiltai till 31 August 2015. The limit of the credit line is 18 000 thousand Euro.	CR 1/2014
Registration at the Lithuanian Register of Mortgage lien on receivables owned subsidiary of AB Kauno Tiltai to the pledgee: Nordea Bank Finland Plc and AB DNB bankas. The total value of the gross receivables pledged as collateral is LTL 197,762,364.77.	CR 2/2014
The Company concluded with Alior Bank SA contracts with a total value of PLN 145,000,000 , including two annexes to significant agreements with a total value of PLN 95,000,000 and an agrrement for a guaratnee limit.	CR 12/2014
The conclusion by the subsidiary AB Kauno Tiltai, an annex to the loan agreement with the banks, Nordea Bank AB and AB DNB bankas. Annex changes both the amount and the terms of individual banking products covered by the agreement.	CR 25/2014
Signing of the annexe to the material recourse factoring agreement dated May 10, 2013 between Company and mFactoring S.A. (former: BRE Bank S.A.). The Annexe introduces the consolidated text of the Agreement and the funding ceiling as provided for in the agreement has been changed and currently is PLN 100,000,000.00.	CR 35/2014

Changes in the Group

Removal from the Register of Companies the previous subsidiary of the Issuer Brux Sp. z o.o. in liquidation	CR 8/2014

Changes in the composition of the Board of the Parent Company

On May 15, 2014 the Supervisory Board of the Company adopted a resolution appointing the members of the Company's Management Board to a new three-year term as of the Company's General Meeting of Shareholders: Mr. Roman Przybył, (who shall act as the President of the Company's Management Board), Mr. Nerijus Eidukevičius, Ms. Marita Szustak, Mr. Jarosław Tomaszewski, Mr. Stefan Dziedziul (who shall act as the Vice-President of the Company's Management Board).	CR 14/2014
Receiving on December 31. 2014 from Mr Stefan Dziedziul a representation of resignation from the position of Member of the Management Board (due to retirement) and from Ms Marita Szustak.	CR 37/2014

The process of consolidation of shares

Convening on October 16, 2014, the Extraordinary General Meeting of Trakcja PRKiI SA. Publication of draft resolutions.	CR 24/2014
The Management Board of Trakcja PRKiI announced the resolutions adopted at the Extraordinary Shareholders General Meeting held on October 16, 2014	CR 26/2014
The Management Board of Trakcja PRKiI published a list of shareholders holding at least 5% of the total number of votes at the Extraordinary Shareholders General Meeting of the Company held on October 16, 2014.	CR 27/2014
District Court. St. Warsaw, XII Commercial Division of the National Court Register registered amendments to the Articles of the Company arising from the content of the resolutions of the Extraordinary shareholders General Meeting dated 10.16.2014 r. The changes were also registered in KRS.	CR 29/2014
Determination of the reference date was on December 5, 2014 and to request a suspension of trading in connection with the reverse stock split of the Company.	CR 30/2014
The Management Board of Giełda Papierów Wartościowych w Warszawie S.A. through its resolution no. 1311/2014 of November 24, 2014 decided to suspend the trading of the Company's shares as from December 1, 2014 to December 12 2014 (inclusive) in connection with conducting a procedure of a reverse split of the Company's shares.	CR 31/2014
The adoption of Association by the Supervisory Board.	CR 32/2014
The Management Board of Krajowy Depozyt Papierów Wartościowych S.A. on December 1, 2014 undertook the Resolution no. 1015/2014, in which December 12, 2014 was defined as the date of exchanging 411,196,384 shares of the Company with the nominal value of PLN 0.10 each designated with the code PLTRKPL00014, to 51,399,548 shares of the Company with the nominal value of PLN 0.80 each.	CR 33/2014

(data in PLN thousand, unless indicated otherwise)

Other	
Redemption of the District Court in Warsaw proceedings brought by a shareholder of the Company - the individual - against the Company for the invalidity of the resolutions adopted on December 12, 2012, at the Extraordinary General Meeting of the Company.	CR 6/2014
The company has published a report on the valuation of shares of Ab Kauno Tiltai prepared by the auditor in connection with the terms of issue of bearer bonds series C.	CR 10/2014
on May 15, 2014 the Supervisory Board of the Company decided to appoint Deloitte Polska spółka z ograniczoną odpowiedzialnością sp. k. as the entity authorised to examine Company's separate and consolidated annual financial statements for 2014.	CR 13/2014
Convening for the day December 6, 2014 Annual General Meeting of Trakcja PRKiI S.A.	CR 15/2014
Publication of draft resolutions Extraordinary General Meeting.	CR 16/2014
Publication of the content of the resolutions adopted at the Annual General Meeting of the Company held on june 12, 2014	CR 17/2014
The transfer of the list of shareholders holding at least 5% of the total number of votes at the General Meeting of the Company held on June 12, 2014.	CR 18/2014
Acquisition by the Company on December 18, 2014 17 914 own bearer bonds of the nominal value of PLN 1,000 each for their redemption.	CR 36/2014

Events after the balance sheet date

Significant events after the balance sheet date	**CR**
Significant agreements - construction contracts	
Signing by Trakcja PRKiI S.A. and PKP PLK S.A. the annexe to the material agreement for design and reconstruction of the railway station Łódź Widzew as well as part of the route Łódź Fabryczna – Łódź Widzew from 2,250 km to 7,200 km, including signalling and telecommunications equipment for the entire section Łódź Fabryczna – Łódź Widzew, and modernisation of roundabout line Łódź Widzew – Łódź Chojny – Łódź Kaliska, concluded on June 30, 2011. Appendix changes the date of the contract as at December 14, 2015.	CR 1/2015
Signing by Company and PKP PLK S.A. of the agreement for the "Performance of additional works such as designing and constructing the collision-free two-level crossing of the railway line no. 17 and Niciarniana street in Łódź, under the OPIE 7.1 – 24.2 "Improvement of the Łódź Railway Junction (TEN-t), stage 1, Łódź Widzew – Łódź Fabryczna section"". The net value of the contract PLN 56,045,000.00. The term of the full scope of this contract is divided into parts and the latest of them will be made until August 30, 2016.	CR 2/2015
Signing by Trakcja PRKiI S.A. the Representative of the Consortium and PKP PLK S.A. modifying the material agreement no. 90/104/121/00/17000031/10/I/I of November 30, 2010 with respect to the "Modernisation of E30 railway line, stage 2, Zabrze - Katowice - Cracow section Tender no. 1 - Modernisation of the following sections: Jaworzno Szczakowa – Trzebinia (15,810 - 29,110 km of line no. 133) Jaworzno Szczakowa – Sosnowiec Jęzor (0,000 – 6,847 km of line 134)". Under the agreement has been modified time limit for completion of the works until june 30, 2015 and the scope of work which will be the new net value PLN 55.860.846,48.	CR 3/2015
Making a settlement by Consortuim Trakcja Polska and PKP PLK S.A. the Agreement concluded on 31 May 2010 with respect to the performance of construction works of the comprehensive modernisation of rail station and route in the area LCS Działdowo under OPI&E 7.1-41: "Modernisation of railway line E-65/C-E 65 in the section Warsaw - Gdynia - LCS Działdowo". Making the pre-court Agreement with the Ordering Party, on the basis of which the Ordering Party is obliged to pay for the benefit of the Consortium the amount of PLN 15,740,228.58. Additionally, regardless of the Agreement, the Ordering Party undertakes to pay the Consortium the amount of PLN 7,259,771.42 to cover the costs of performing the Contract in the extended period of time and the Contract Engineer accepted the gross amount of PLN 17,997,919.06, which the Ordering Party undertook to pay for the benefit of the Consortium.	CR 6/2015
Changes in the composition of the Management Board	
On February 19, 2015 Mr Roman Przybył submitted his resignation from the position of the President of the Management Board. The reasons of the resignation are indicated as personal. In conjunction with the resignation tendered by Mr Roman Przybył the Supervisory Board today appointed Mr Jarosław Tomaszewski, Chief Financial Officer and the Vice-President of the Management Board, as the acting President of the Management Board. Moreover the Supervisory Board accepted withdrawal of Miss Marita Szustak's statement of resignation from being member of the Management Board.	CR 8/2015

(data in PLN thousand, unless indicated otherwise)

Other	
On January 12, 2015 the company gave dates of publication of periodic reports in 2015.	CR 4/2015
On January 22, 2015 the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. adopted a resolution in which it stated that in relation to the Company's redemption of 17 914 series E bonds issued by the Company, marked with code PLTRKPL00089 with the nominal value of PLN 1000.	CR 5/2015
On February 11, 2015 based on the received initial reports on valuation of assets included in the investment real estate portfolios of the Issuer and companies in the Group of Companies, the write-down on investment real estates was made in the amount of PLN 7,264,000.00. The amount of write-down on investment real estates solely owned by the Issuer was PLN 7,608,000.00.	CR 7/2015
On February 20, 2015, due to the performance of impairment test of goodwill assigned to the cash generating unit, which consists of the following subsidiaries: Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o., Dalba Sp. z o.o. and Przedsiębiorstwo Drogowo-Mostowe Białystok S.A., has decided to write-off the value of that asset in Trakcja Group's consolidated balance sheet in the amount of 37 431 thousand PLN.	CR 9/2015
On March 11, 2015 the Management Board of Trakcja PRKiI S.A. decided to recognize as at 31 December 2014 write-off of trade receivables from a non-related company in the amount of 5.163 thousand PLN.	CR 11/2015

CR - current report

60. Financial statement under conditions of high inflation

Accumulated, average annual rate of inflation for the last 3 years for each of the periods covered by this consolidated financial information did not exceed the value of 100%, that is why there was no need to convert the financial statements by the prices change index.

61. Employment

Average employment in the Capital Group was as follows:

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Average employment in the Capital Group during the period:		
Management Board of Parent entity	5	5
Management Boards of subsidiaries	14	16
Administration	232	232
Sales department	33	51
Production division	981	1 026
Other employees	737	758
Total	**2 002**	**2 088**

Employment in the Capital Group as at December 31, 2014 is as follows:

	Financial year ended	
	31.12.2014	**31.12.2013**
	Audited	**Modified**
Employment in the Capital Group as at 31.12.2014		
Management Board of Parent entity	5	6
Management Boards of subsidiaries	11	13
Administration	231	239
Sales department	87	50
Production division	918	959
Other employees	676	705
Total	**1 928**	**1 972**

(data in PLN thousand, unless indicated otherwise)

62. Company Social Benefit Fund assets and liabilities

The Act of March 04, 1994 on the company social benefit fund as amended, states that the Company Social Benefit Fund is created by employers with over 20 full-time employees. The Group creates such fund and performs periodical write off in the amount of the basic write off. Goal of the Fund is subsidize social operations of the Group, loans granted to its employees and the remaining social costs. The Group has compensated assets of the Fund with own liabilities against the Fund, because the assets do not represent separate assets of the Group.

The below table presents an analysis of assets, liabilities, costs and balances net of the compensated assets and liabilities of the Fund:

	31.12.2014 Audited	31.12.2013 Modified
Loans granted to employees	1 137	1 172
Cash	1 045	603
Prepayments	33	(4)
Liabilities attributable to the Fund	(1 170)	(1 458)
Balance after compensation	**1 045**	**313**
Contributions to the fund during the financial period	**1 393**	**1 352**

63. Information on the entity providing a function of expert auditor.

Pursuant to the resolution of the Supervisory Board of Trakcja PRKiI, the entity authorized to audit the financial statements of the Group and the Parent Company is Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. based in Warsaw at Al. Jana Pawła II 19.

On June 10, 2014, the Parent Company concluded an agreement with Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. for:

- a review the semi-annual separate and consolidated financial statements prepared as at June 30, 2014 according to the International Accounting Standards;
- an audit of the annual separate and consolidated financial statement prepared as at December 31, 2014 according to the International Accounting Standards.

The agreement was concluded for the period of performing the subject of the contract.

The amount of the remuneration of the certified auditor for services provided to the Parent Company is presented in the table below:

	Financial year ended	
	31.12.2014 Audited	31.12.2013* Modified
On account of agreement for financial statement audit	148	110
On account of agreement for financial statement review	77	55
On account of other agreements	-	19
Total	**225**	**184**

**In 2013, the entity authorized to audit financial statements of the Group and the Parent Company was BDO Sp. z o.o. Therefore, amounts presented in the table below for the year ended on December 31, 2013 concern services provided by BDO Sp. z o.o.*

The fee for the audit of the selected entities of Trakcja Group is payable based on separate agreements concluded between the entity authorized to audit financial statements and each of the selected Group companies.

Warsaw, on March 16, 2015

Jarosław Tomaszewski

Acting President of the Management Board

Marita Szustak

Vice-President of the Management Board

Stefan Dziedziul

Vice-President of the Management Board

Nerijus Eidukevičius

Vice-President of the Management Board

Statement prepared by:

Sławomir Krysiński

Director for Financial Reporting
in Trakcja Group

TRAKCJA CAPITAL GROUP
WARSAW, ZŁOTA 59

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 2014 FINANCIAL YEAR

WITH
AUDITOR’S OPINION
AND
AUDIT REPORT

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REPORT ON THE ACTIVITIES OF THE CAPITAL GROUP FOR THE 2014 FINANCIAL YEAR

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Trakcja Capital Group

We have audited the attached financial statements of the Trakcja Capital Group (hereinafter: the "Capital Group"), for which Trakcja PRKiI S.A. (hereinafter: the "Parent Company") with its registered office in Warsaw at Złota 59 is the Parent Company. Those consolidated financial statements include: consolidated balance sheet prepared as of 31 December 2014, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the financial year from 1 January 2014 to 31 December 2014 and notes comprising a summary of significant accounting policies and other explanatory information.

Preparation of consolidated financial statements and a report on the activities of the capital group in line with the law is the responsibility of the Management Board of the Parent Company.

The Management Board of the Parent Company and members of its Supervisory Board are obliged to ensure that the consolidated financial statements and the report on the activities of the Capital Group meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the consolidated financial statements with the accounting principles (policy) adopted by the Capital Group and whether the financial statements give a true and fair view of the financial and economic position as well as the financial performance of the Capital Group.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act,
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the consolidated financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) applied by the Parent Company and the subsidiaries, verification – largely on a test basis – of the basis for the amounts and disclosures in the consolidated financial statements, as well as overall evaluation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited consolidated financial statements in all material respects:

- give a true and fair view of the information material to evaluation of the economic and financial position of the Capital Group as of 31 December 2014 as well as its financial performance in the financial year from 1 January 2014 to 31 December 2014;
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations, and in all matters not regulated in the standards – in accordance with the provisions of the Accounting Act and its executory provisions;
- comply with the provisions of law applicable to the Parent Company and Capital Group entities which affect the contents of the consolidated financial statements.

The consolidated financial statements of the Capital Group for the prior financial year ended 31 December 2013 were audited by another certified auditor who issued an unqualified opinion on those financial statements on 21 March 2014.

The report on the activities of the Capital Group for the 2014 financial year is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133) and consistent with underlying information disclosed in the audited consolidated financial statements.

Maciej Krasoń
Key certified auditor
conducting the audit
No. 10149

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

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

Warsaw, 16 March 2015

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRAKCJA CAPITAL GROUP FOR THE 2014 FINANCIAL YEAR

I. GENERAL INFORMATION

1. Details of the audited Parent Company

The Parent Company of the Capital Group operates under the business name Trakcja PRKiI S.A. (hereinafter: the "Parent Company"). The Company's registered office is located in Warsaw at Złota 59.

The Parent Company operates as a joint stock company. The Parent Company is recorded in the Register of Entrepreneurs kept by the District Court, XII Business-Registry Division in Warsaw, under KRS number 0000084266.

The Parent Company operates based on the provisions of the Code of Commercial Companies.

As of 31 December 2014, the Parent Company's share capital equaled PLN 41,119,638.40 and was divided into 51,399,548 ordinary shares with a face value of PLN 0.80 each.

Composition of the Management Board of the Parent Company as at the date of the opinion:
- Jarosław Tomaszewski – acting as Chairman of the Management Board;
- Marita Szustak – Vice-Chairman of the Management Board;
- Nerijus Eidukevičius – Vice-Chairman of the Management Board;
- Stefan Dziedziul – Vice-Chairman of the Management Board.

Changes in the composition of the Management Board of the Parent Company during the audited period and until the date of the opinion:
- on 31 December 2014 Stefan Dziedziul resigned the office of Member of the Management Board of the Parent Company – his mandate revokes at 31 March 2015;
- on 19 February 2015 Roman Przybył resigned the office of Member of the Management Board of the Parent Company and his mandate was revoked the very same day;
- on 19 February 2015 the Supervisory Board appointed Jarosław Tomaszewski to hold the position of the Chairman of the Management Board of the Parent Company effective from 19 February 2015.

2. Structure of the Capital Group

The consolidated financial statements as of 31 December 2014 included the following entities:

a) Parent Company – Trakcja PRKiI S.A.

We have audited the financial statements of the Parent Company for the period from 1 January to 31 December 2014. As a result of our audit, on 13 March 2015 we issued an unqualified opinion.

b) Companies subject to full consolidation:

Name and address of the Company	Interest in the share capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity
PRK 7 Nieruchomości Sp. z o.o. with its registered office in Warsaw	100%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Until the date of this report, the auditor of the entity has not issued an opinion.	31 December 2014
Torprojekt Sp. z o.o. with its registered office in Warsaw	82.35%	No obligation to be audited.	31 December 2014
AB Kauno Tiltai with its registered office in Kowno	98.09%	BDO auditas ir apskaita, UAB. Until the date of this report, the auditor of the entity has not issued an opinion.	31 December 2014
UAB Kelda with its registered office in Vievis	84.21%	No obligation to be audited.	31 December 2014
UAB Verksioniu karjeras with its registered office in Bagoteliu	84.21%	No obligation to be audited.	31 December 2014
UAB Taurakelis with its registered office in Tauragé	98.09%	No obligation to be audited.	31 December 2014
UAB Kedainiu Automobiliu Keliai with its registered office in Kédainiai	98.09%	No obligation to be audited.	31 December 2014
UAB Pletros investicijos with its registered office in Vilnius	73.68%	No obligation to be audited.	31 December 2014
UAB Palangos aplinkkelis with its registered office in Vilnius	73.68%	No obligation to be audited.	31 December 2014
AB Kauno Tiltai TUB konsorciumas Tiltra with its registered office in Kowno	98.09%	No obligation to be audited.	31 December 2014
AB Kauno Tiltai Latvia skyrius with its registered office in Rezekne	98.09%	No obligation to be audited.	31 December 2014
AB Kauno Tiltai Sverige	98.09%	No obligation to be audited.	31 December 2014
UAB "Transporto Infrastruktura"	98.09%	No obligation to be audited.	31 December 2014
P.E.U.I M. Sp. z o.o. with its registered office in Białystok	97.60%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Until the date of this report, the auditor of the entity has not issued an opinion.	31 December 2014
Dalba Sp. z o.o. with its registered office in Białystok	98.09%	No obligation to be audited.	31 December 2014
PDM Białystok S.A. with its registered office in Białystok	92.84%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Until the date of this report, the auditor of the entity has not issued an opinion.	31 December 2014

c) Companies subject to equity method of consolidation:

Name and address of the Company	Interest in the share capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity
Bahn Technik Wrocław Sp. z o.o. with its registered office in Wrocław	50%	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. Until the date of this report, the auditor of the entity has not issued an opinion.	31 December 2014

In the audited financial year, the Parent Company, in connection with establishment of subsidiaries, included in consolidation the following entities: AB Kauno Tiltai Sverige and UAB "Transporto Infrastruktura”. Effect of the decision on the consolidated financial statements was as follows:

- impact on the balance sheet total of the Capital Group PLN 754,017.67;
- impact on the result of the Capital Group PLN 416,605.49.

3. Information about the consolidated financial statements for the prior financial year

The activities of the Capital Group in 2013 according to approved financial statements resulted in a net profit of PLN 37,916,000.00. The consolidated financial statements of the Capital Group for 2013 were audited by a certified auditor. The audit was performed by authorized entity BDO Sp. z o.o. On 21 March 2014 the certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders’ Meeting which approved the consolidated financial statements for the 2013 financial year was held on 12 June 2014.

In accordance with applicable laws, the consolidated financial statements for the 2013 financial year were submitted to the National Court Register (KRS) on 26 June 2014.

4. Details of the authorized entity and the key certified auditor acting on its behalf

The entity authorized to audit the financial statements was appointed by the Supervisory Board. The audit of the consolidated financial statements was performed based on the agreement of 10 June 2014 concluded between the Parent Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the consolidated financial statements was conducted under the supervision of Maciej Krasoń, key certified auditor (No. 10149) in the registered office of the Parent Company from 24 November to 28 November 2014, from 9 February to 27 February 2015 as well as outside the Company’s premises until the date of this opinion.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Journal of Laws of 2009 No. 77, item 649, as amended) to express an unbiased and independent opinion on the consolidated financial statements of the Capital Group.

5. Availability of data and management’s representations

The scope of our audit was not limited.

During the audit, necessary documents and data as well as detailed information and explanations, were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of the Parent Company of 16 March 2015.

II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

Presented below are the main items from the consolidated income statement, consolidated balance sheet as well as financial ratios describing the financial performance of the Capital Group and its economic and financial position compared to the prior year.

Main financial data from consolidated income statement (PLN '000)	2014	2013
Sales revenue	1,601,674	1,274,222
Operating expenses	(1,471,734)	(1,245,117)
Operating profit (loss)	85,844	40,591
Net profit (loss)	50,391	29,995

Main financial data from consolidated balance sheet (PLN '000)		
Inventory	59,977	103,155
Trade receivables	506,205	487,977
Current assets	725,949	776,004
Total assets	1,445,816	1,497,917
Equity	674,503	623,732
Short-term liabilities (including short-term provisions and accruals)	619,975	761,927
Trade liabilities	361,576	312,910
Total liabilities and provisions	771,313	874,545

Profitability and efficiency ratios	2014	2013
– return on sales	5%	3%
– net return on equity	8%	5%
– assets turnover ratio	1.11	0.85
– receivables turnover in days	112	88
– liabilities turnover in days	82	76
– inventory turnover in days	20	28

Liquidity/Net working capital		
– debt ratio	53%	58%
– equity to fixed assets ratio	47%	42%
– net working capital (PLN '000)	105,974	14,077
– current ratio	1.17	1.02
– quick ratio	1.07	0.88

An analysis of the above figures and ratios indicated the following trends in 2014:

- increase of return on sales and net return on equity;
- increase of assets turnover ratio;
- increase of receivables and liabilities turnover ratios;
- decrease of inventory turnover ratio;
- decrease of debt ratio;
- increase of equity to fixed assets ratio;
- increase of net working capital,
- increase of quick ratio.

III. DETAILED INFORMATION

1. Information about the audited consolidated financial statements

The audited consolidated financial statements were prepared as at 31 December 2014 and include:

- consolidated balance sheet prepared as of 31 December 2014, with total assets and liabilities plus equity of PLN 1,445,816 thousand;
- consolidated income statement for the period from 1 January 2014 to 31 December 2014, with a net profit of PLN 50,391 thousand;
- consolidated statement of comprehensive income for the period from 1 January 2014 to 31 December 2014, with a total comprehensive income of PLN 50,043 thousand;
- consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 2014, disclosing an increase in equity of PLN 51,131 thousand;
- consolidated cash flow statement for the period from 1 January 2014 to 31 December 2014, showing a cash outflow of PLN 23,770 thousand;
- notes, comprising a summary of significant accounting policies and other explanatory information.

The audit covered the period from 1 January 2014 to 31 December 2014 and focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent Company;
- verification of the consolidation documentation;
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation;
- review of opinions and reports on audits of financial statements of subsidiaries and associated companies included in consolidation, prepared by other certified auditors.

2. Consolidation documentation

The Parent Company presented the consolidation documentation including:

- financial statements of entities included in the consolidated financial statements;
- financial statements of controlled entities, adjusted to the accounting principles (policy) applied during consolidation;
- financial statements of controlled entities translated into the Polish currency;
- consolidation adjustments and eliminations necessary for preparation of the consolidated financial statements;
- calculation of the fair value of the net assets of controlled entities;
- calculation of goodwill and gain from a bargain purchase as well as impairment losses for goodwill;
- calculation of non-controlling interests;
- calculation of exchange differences arising from translation of the financial statements of controlled entities denominated in foreign currencies.

The financial statements of the subsidiaries were consolidated using the full method, i.e. full amounts of all relevant items of the financial statements of the Parent Company and the subsidiaries included in consolidation were summed up.

The equity method was applied with respect to associated entities. The value of the Parent Company's interest in the associated company was adjusted by increases or decreases in the equity of the associated company attributable to the Parent Company, which occurred in the period covered by consolidation, and decreased by dividends due from such companies.

The Parent Company preparing the consolidated financial statements has not applied any material simplifications and exceptions to the consolidation principles with respect to the controlled entities.

3. Completeness and correctness of drawing up notes and explanations and the report on the activities of the Capital Group

The Parent Company confirmed the validity of the going concern basis in preparation of the consolidated financial statements. The notes and explanations to the consolidated financial statements gives a description of measurement principles regarding assets, liabilities, financial performance and principles of preparation of the consolidated financial statements.

The Parent Company prepared notes in the form of tables to individual items of the consolidated balance sheet and consolidated income statement and consolidated statement of comprehensive income as well as narrative descriptions in line with the requirement of IFRS.

The Management Board of Parent Company prepared and supplemented the consolidated financial statements with a report on the activities of the Capital Group in the 2014 financial year. The report contains information determined by Article 49 of the Accounting Act and the Ordinance of the Minister of Finance Ordinance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133). We have audited the report with respect to the disclosed information derived directly from the audited consolidated financial statements.

IV. FINAL NOTES

Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Parent Company's Management Board, in which the Board stated that the Capital Group complied with the laws in force.

Maciej Krasoń
Key certified auditor
conducting the audit
No. 10149

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

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

Warsaw, 16 March 2015