TRAKCJA CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 9-MONTH PERIOD ENDED SEPTEMBER 30, 2016

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

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APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKiI S.A. has approved the consolidated financial statements of Trakcja Capital Group for the period of 9 months ended September 30, 2016.

The condensed consolidated financial statements for the third quarter of 2016 were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union for interim reporting purposes (IAS 34). Information included herein is presented in the following sequence:

1. Consolidated income statement for the period from January 1, 2016 to September 30, 2016, which shows a net profit of PLN **47,319** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2016 to September 30, 2016, which shows the total comprehensive income of PLN **49,712** thousand.
3. Consolidated balance sheet as at September 30, 2016, which shows the total assets and total equity and liabilities of PLN **1,423,474** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2016 to September 30, 2016, which shows a decrease in the total net cash flows by PLN **187,714** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2016 to September 30, 2016, which shows an increase in equity by PLN **31,672** thousand.
6. Additional information and explanations.

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

Jarosław Tomaszewski	Paweł Nogalski
President of the Management Board	Vice-President of the Management Board
Marek Kacprzak	Sławomir Raczyński
Vice-President of the Management Board	Vice-President of the Management Board

Warsaw, November 10, 2016

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I. SELECTED FINANCIAL DATA OF TRAKCJA CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
30.09.2016	4,3688	4,2355	4,4987	4,3120
31.12.2015	4,1848	3,9822	4,3580	4,2615
30.09.2015	4,1585	3,9822	4,3335	4,2386

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

Key items of the consolidated balance sheet converted into euro:

	30.09.2016		31.12.2015	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	700 398	162 430	683 214	160 322
Current assets	723 076	167 689	623 143	146 226
Total assets	**1 423 474**	**330 119**	**1 306 357**	**306 548**
Equity	757 963	175 780	726 291	170 431
Long-term liabilities	111 580	25 877	120 910	28 372
Short-term liabilities	553 931	128 462	459 156	107 745
Total equity and liabilities	**1 423 474**	**330 119**	**1 306 357**	**306 548**

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

Key items of the consolidated income statement converted into euro:

	9 month period ended 30.09.2016		9 month period ended 30.09.2015	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	887 563	203 160	896 627	215 613
Cost of goods sold	(778 580)	(178 215)	(796 393)	(191 510)
Gross profit (loss) on sales	108 983	24 946	100 234	24 103
Operating profit (loss)	59 227	13 557	48 891	11 757
Gross profit (loss)	55 638	12 735	46 179	11 105
Net profit (loss) from continued operations	47 319	10 831	38 265	9 202
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	**47 319**	**10 831**	**38 265**	**9 202**

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

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

	9 month period ended 30.09.2016		9 month period ended 30.09.2015	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(185 913)	(42 555)	131 365	31 589
Cash flows from investment activities	(15 493)	(3 546)	(6 947)	(1 670)
Cash flows from financial activities	13 692	3 134	(79 663)	(19 157)
Total net cash flows	**(187 714)**	**(42 967)**	**44 755**	**10 762**

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

	30.09.2016		30.09.2015	
	TPLN	**TEUR**	**TPLN**	**TEUR**
Cash at start of period	251 317	58 974	57 638	13 523
Cash at end of period	**63 603**	**14 750**	**102 393**	**24 157**

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

- for the cash at end of period – the exchange rate set by the National Bank of Poland on the last day of a given reporting period,

- for the cash at start of period item – the exchange rate set by the National Bank of Poland on the last day of the reporting period preceding a given reporting period.

The EUR/PLN exchange rate on the last day of the reporting period ended December 31, 2014 was PLN 4.2623.

(Data in PLN thousand, unless stated otherwise)

II. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
Continued operations				
Sales revenue	**887 563**	**408 734**	**896 627**	**331 855**
Cost of goods sold	**(778 580)**	**(356 098)**	**(796 393)**	**(295 801)**
Gross profit on sales	**108 983**	**52 636**	**100 234**	**36 054**
Cost of sales, marketing and distribution	(4 424)	(1 112)	(4 414)	(1 046)
General and administrative costs	(42 967)	(13 729)	(46 306)	(10 935)
Other operating revenues	5 639	955	3 336	1 472
Other operating costs	(7 702)	(5 089)	(4 930)	(1 294)
Share of profit of entities consolidated using equity method	(302)	382	971	1 060
Operating profit	**59 227**	**34 043**	**48 891**	**25 311**
Financial revenues	3 425	1 149	5 719	1 176
Financial costs	(7 014)	(2 072)	(8 431)	(2 437)
Gross profit	**55 638**	**33 120**	**46 179**	**24 050**
Income tax	(8 319)	(4 464)	(7 914)	(3 877)
Net profit from continued operation	**47 319**	**28 656**	**38 265**	**20 173**
Discontinued operations				
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	**47 319**	**28 656**	**38 265**	**20 173**
Attributable to:				
Shareholders of parent entity	46 235	28 082	37 223	19 791
Non-controlling interests	1 084	574	1 042	382
Profit (Loss) per share (PLN per share)				
- basic	0,90	0,55	0,74	0,39
- diluted	0,90	0,55	0,74	0,39

(Data in PLN thousand, unless stated otherwise)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
Net profit for the period	**47 319**	**28 656**	**38 265**	**20 173**
Other comprehensive income:				
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	**1 156**	**611**	**(1 202)**	**(280)**
Actuarial gains/(losses)	1 156	611	(1 202)	(280)
Other comprehensive income that will be reclassified to profit or loss:	**1 237**	**(8 404)**	**(1 294)**	**2 347**
Foreign exchange differences on translation of foreign operations	3 373	(8 163)	(1 700)	2 892
Cash flow hedging instruments	(2 136)	(241)	406	(545)
Total other comprehensive income	**2 393**	**(7 793)**	**(2 496)**	**2 067**
TOTAL COMPREHENSIVE INCOME FOR THE PERI	**49 712**	**20 863**	**35 769**	**22 240**
Attributable to:				
Shareholders of Parent entity	49 163	20 406	34 638	21 981
Non-controlling interests	549	457	1 131	259

(Data in PLN thousand, unless stated otherwise)

CONSOLIDATED BALANCE SHEET

ASSETS	30.09.2016	31.12.2015
	Unaudited	*Modified*
Non-current assets	**700 398**	**683 214**
Tangible non-current assets	213 125	194 232
Intangible assets	55 583	56 603
Goodwill from consolidation	336 685	334 718
Investment properties	21 980	21 976
Investments in joint ventures	13 837	14 140
Investments in other units	25	25
Other financial assets	44 763	45 564
Deferred tax assets	9 867	9 715
Construction contracts	2 086	2 527
Accruals	2 447	3 714
Current assets	**723 076**	**623 143**
Inventory	115 606	84 828
Trade and other receivables	483 729	246 864
Other financial assets	8 928	14 830
Cash and cash equivalents	67 541	251 435
Accruals	8 298	8 961
Construction contracts	38 974	16 225
Total assets	**1 423 474**	**1 306 357**

Equity and liabilities		
Equity attributable to shareholders of parent entity	**754 041**	**722 341**
Share capital	41 120	41 120
Share premium account	309 984	309 984
Revaluation reserve	6 178	6 178
Other capital reserves	332 100	299 785
Retained earnings	46 235	50 203
Foreign exchange differences on translation of foreign operations	18 424	15 071
Non-controlling interests	**3 922**	**3 950**
Total equity	**757 963**	**726 291**
Long-term liabilities	**111 580**	**120 910**
Interest-bearing loans and borrowings	75 469	89 494
Provisions	15 772	9 202
Liabilities due to employee benefits	10 736	11 737
Provision for deferred tax	2 153	5 549
Derivative financial instruments	7 405	4 862
Other financial liabilities	45	66
Short-term liabilities	**553 931**	**459 156**
Interest-bearing loans and borrowings	79 892	21 625
Trade and other liabilities	304 310	288 100
Provisions	22 259	23 690
Liabilities due to employee benefits	13 069	10 894
Income tax liabilities	7 489	5 167
Derivative financial instruments	993	981
Other financial liabilities	-	148
Accruals	615	219
Construction contracts	121 423	108 223
Advances received towards flats	3 881	109
Total equity and liabilities	**1 423 474**	**1 306 357**

(Data in PLN thousand, unless stated otherwise)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
		Unaudited	*Unaudited*
Cash flows from operating activities			
Gross profit from continued operations		**55 638**	**46 179**
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		**(241 551)**	**85 186**
Depreciation		17 357	18 724
FX differences		422	(707)
Net interest and dividends		3 861	2 326
Profit on investment activities		(4 835)	(525)
Share of profits in joint venture		302	(971)
Change in receivables		(232 433)	116 583
Change in inventory		(30 477)	(9 841)
Change in liabilities, excluding loans and borrowings		13 711	(55 236)
Change in prepayments and accruals		(1 896)	(4 674)
Change in provisions		6 388	(7 852)
Change in construction contracts		(9 646)	43 152
Change in financial derivatives		2 491	(478)
Income tax paid		(9 043)	(14 841)
Other		565	(1 256)
Foreign exchange differences on translation of foreign operations		1 682	782
Net cash flows from operating activities		**(185 913)**	**131 365**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(25 589)	(11 496)
- acquisition		(29 920)	(14 273)
- sale		4 331	2 777
Financial assets		9 932	2 207
- sold or repaid		13 570	4 636
- granted or acquired		(3 638)	(2 429)
Loans		-	1 948
- repaid		-	1 948
Interest received		164	394
Net cash flows from investment activities		**(15 493)**	**(6 947)**
Cash flows from financial activities			
Proceeds on account of taken borrowings and loans		68 674	165 167
Repayment of borrowings and loans		(24 609)	(193 504)
Interest paid		(4 473)	(5 666)
Payment of liabilities under financial lease agreements		(7 511)	(7 082)
Inflows (outflows) income from other financial liabilities		(331)	(38 288)
Dividends paid to shareholders of Parent Company		(17 476)	-
Dividends paid to non-controlling shareholders		(582)	(290)
Net cash flows from financial activities		**13 692**	**(79 663)**
Total net cash flows		**(187 714)**	**44 755**
Net FX differences		-	-
Cash at start of period		**251 317**	**57 638**
Cash at end of period	**29**	**63 603**	**102 393**
- with limited access		-	936

(Data in PLN thousand, unless stated otherwise)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attrubutable to shareholders of Parent entity										
	Share capital	Share premium account	Revalua-tion reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Modified				Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2016	**41 120**	**309 984**	**6 178**	**(3 598)**	**(1 363)**	**304 746**	**15 071**	**50 203**	**722 341**	**3 950**	**726 291**
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	**41 120**	**309 984**	**6 178**	**(3 598)**	**(1 363)**	**304 746**	**15 071**	**50 203**	**722 341**	**3 950**	**726 291**
Net profit for the period	-	-	-	-	-	-	-	46 235	46 235	1 084	47 319
Other comprehensive income	-	-	-	(1 579)	1 154	-	3 353	-	2 928	(535)	2 393
Distribution of profit	-	-	-	-	-	32 727	-	(32 727)	-	-	-
Dividend payment	-	-	-	-	-	-	-	(17 476)	(17 476)	-	(17 476)
Dividend payment to non-controlling interests	-	-	-	-	-	-	-	-	-	(582)	(582)
Other	-	-	-	-	-	13	-	-	13	5	18
As at 30.09.2016 Unaudited	**41 120**	**309 984**	**6 178**	**(5 177)**	**(209)**	**337 486**	**18 424**	**46 235**	**754 041**	**3 922**	**757 963**

(Data in PLN thousand, unless stated otherwise)

	Equity attrubutable to shareholders of Parent entity										
	Share capital	**Share premium account**	**Revalua-tion reserve**	**Other reserve capitals**			**Foreign exchange differences on translation of foreign operations**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
				Hedging instruments	**Actuarial gains/ (losses)**	**Results from previous years**					
Unaudited											
As at 1.01.2015	**41 120**	**309 984**	**6 790**	**(3 994)**	**(4 744)**	**257 996**	**15 221**	**49 537**	**671 910**	**2 593**	**674 503**
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2015 after adjustments	**41 120**	**309 984**	**6 790**	**(3 994)**	**(4 744)**	**257 996**	**15 221**	**49 537**	**671 910**	**2 593**	**674 503**
Net profit for the period	-	-	-	-	-	-	-	37 223	37 223	1 042	38 265
Other comprehensive income	-	-	-	299	(1 202)	-	(1 682)	-	(2 585)	89	(2 496)
Distribution of profit	-	-	-			49 537		(49 537)	-	-	-
Dividend payment to non-controlling interests	-	-	-	-	-	-	-	-	-	(355)	(355)
Payment to capital of a subsidiary from holders of non-controlling interest	-	-	-	-	-	(20)	-	-	(20)	20	-
Transfer within equity	-	-	(602)	-	3 488	(2 886)	-	-	-	-	-
Other	-	-	-	-	-	165	-	-	165	-	165
As at 30.09.2015	**41 120**	**309 984**	**6 188**	**(3 695)**	**(2 458)**	**304 792**	**13 539**	**37 223**	**706 693**	**3 389**	**710 082**

(Data in PLN thousand, unless stated otherwise)

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

III. ADDITIONAL INFORMATION AND EXPLANATIONS TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

These condensed consolidated financial statements of Trakcja Group cover the period of 9 months ended September 30, 2016.

Trakcja Group ("Group") consists of the parent company, namely Trakcja PRKiI S.A. ("Trakcja PRKiI", "Parent Company" or "Company"), its subsidiaries and a company classified as a joint venture according to IFRS 11 (see Note 2).

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

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

On June 22, 2011 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the company name from Trakcja Polska S.A. to Trakcja – Tiltra S.A. The above change was registered pursuant to Resolution No. 3 adopted by the Extraordinary General Meeting of Shareholders on June 15, 2011.

On December 21, 2012 the District Court of the City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, registered a change in the Company's business name from Trakcja – Tiltra S.A. to Trakcja S.A. The above change was registered pursuant to Resolution No. 3 adopted by the Extraordinary General Meeting of Shareholders on December 12, 2012.

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

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

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

The Parent entity's seat is located in Warsaw at 59 Złota Street. Both the Parent Company and the entities that are members of the Group are established for an indefinite period of time.

According to the Articles of Association, the Parent Company renders specialist construction and installation services within the scope of railway and tram lines electrification. The Company specialises in the following types of activity:

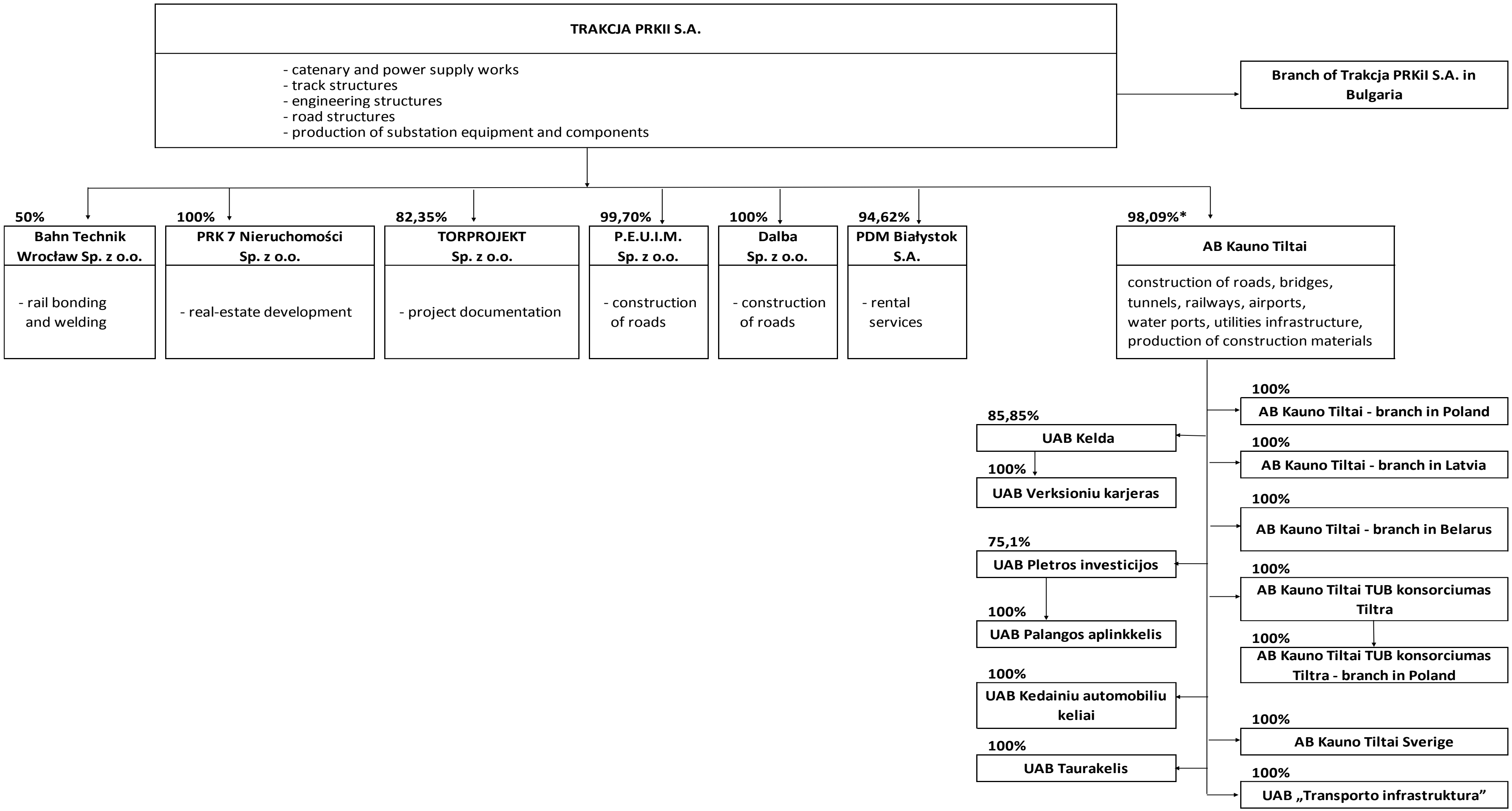
- foundation and network works,
- installation of traction substations and section cabs,
- installation of high and low voltage overhead and cable lines,
- installation of local supply and control cables,
- manufacturing of products (high, medium and low voltage switching stations, traction network equipment and local control devices),

- specialist equipment services (excavators, railway and truck cranes, boring rigs, pile drivers),
- construction of bridges, viaducts, piers, flyovers, tunnels, underground passings, roads and accompanying elements of rail and road infrastructure.

2. Group members

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

The Group's organisational structure is presented in the diagram below.



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

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

In the third quarter of 2016, the Trakcja Group's structure has not changed, and neither business combination, acquisition or loss of control over subsidiaries or long-term investments nor division, restructuring or discontinuation of business occurred.

4. Parent Company’s Management Board

As at September 30, 2016 the Company’s Management Board was composed of the following members:

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

On September 6, 2016 the Supervisory Board of Trakcja PRKiI S.A. and the Company were notified that Mr. Nerijus Eidukevičius, Vice-President of the Management Board, resigned from the Management Board of Trakcja PRKiI S.A. The resignation was submitted with effect from September 8, 2016.

After the balance sheet date, there have been no changes to the Management Board’s composition.

5. Parent Company’s Supervisory Board

As at September 30, 2016 the Company’s Supervisory Board was composed of the following members:

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

As the term of office of the Supervisory Board of Trakcja PRKiI S.A. expired in the reporting period from January 1, 2016 to September 30, 2016, the composition of the Supervisory Board has changed. On June 6, 2016, exercising its powers resulting from the Articles of Association, COMSA S.A. notified that it appointed four members of the Supervisory Board. Thereafter, on June 16, 2016 the Annual General Meeting of Trakcja PRKiI S.A. adopted Resolutions 24 to 26 appointing three members of the Supervisory Board. All the seven members of the Supervisory Board have been appointed for a new joint three-year term of office that commenced as at date of the Annual General Meeting. Six out of the aforementioned members of the new Supervisory Board had already been members of the Supervisory Board of Trakcja PRKiI S.A. It was only Mr. Łukasz Rozdeiczer-Kryszkowski who has been appointed as a member of the Supervisory Board for the first time by a resolution adopted by the Annual General Meeting of Trakcja PRKiI S.A. on June 16, 2016.

After the balance sheet date, there have been no changes to the Supervisory Board’s composition.

6. Parent Company's shareholdership

According to the best knowledge of the Parent Company's Management Board, at the publication hereof, the following shareholders hold, directly or through their subsidiaries, at least 5% of the total number of votes at the Annual General Meeting:

(Data in PLN thousand, unless stated otherwise)

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	14 806 908	28,81%	14 806 908	28,81%
Nationale-Nederlanden OFE	5 111 908	9,95%	5 111 908	9,95%
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	4 349 650	8,46%	4 349 650	8,46%
Other	27 131 082	52,78%	27 131 082	52,78%
Total	**51 399 548**	**100,00%**	**51 399 548**	**100,00%**

From the publication of the last interim report, i.e. from August 30, 2016, there have been no changes in the ownership structure of the Issuer's qualifying holdings.

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

From the publication of the last interim report, i.e. from August 30, 2016, there have been no changes in the number of shares in the Parent Company held by members of its management and supervision bodies.

The Company's Management Board and Supervision Board members do not hold any shares in the Parent Company or any of the related entities within Trakcja Group.

8. Approval of the financial statements

These condensed consolidated financial statements were approved for publication by the Management Board of the Parent Company on November 10, 2016.

9. Significant values based on professional judgement and estimates

In the process of applying the accounting principles (policy), such factors are important as the accounting estimates, assumptions and professional judgement of the entity's management. The assumptions and estimates made are based on the past experience and factors considered reasonable, and their results are a basis for the professional judgement on the carrying amounts of the relevant assets and liabilities. The estimates and assumption related thereto are verified as at the balance sheet date. Despite the fact that the estimates are based on the best knowledge regarding the current conditions and operations performed by the Group, the actual performance may differ from the estimates.

If a transaction is not regulated by any standard or interpretation, the Management Board uses its considerable judgement in developing and applying an accounting policy that results in information provided in the financial statements that is relevant and faithful and in the financial statements that:

- represent accurately, clearly and fairly the Group's assets and financial position, as well as its financial performance and cash flows,
- reflect the economic substance of transactions,
- are neutral,
- are drawn up in accordance with the principle of prudence and
- complete in all material respects.

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

9.1. Professional judgement

Fair value of financial instruments

If the market for financial instruments is not active, their fair value is established by using relevant measurement techniques. When selecting methods and assumptions, the Group follows the professional judgement. The assumptions made for this purpose are presented in Note 48 of the additional information and explanation to the consolidated financial statements for 2015.

In the third quarter of 2016, the Group has not changed the assessment method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

Classification of leases

The Group classifies a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. This depends on the economic substance of each transaction. For additional information please refer to Note 9.3.4, 43 and 44 to the consolidated financial statements for 2015.

Investment property

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

Allocation of goodwill to cash generating units

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

Classification of joint contractual arrangements

The Group verifies whether it exercises joint control and determines the type of joint arrangement in which it is involved by considering its rights and obligations under a given arrangement and the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. The Group has classified the shares held in Bahn Technik Wrocław Sp. z o.o. as a joint venture in accordance with IFRS 11.

Control over the related entities

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

Trakcja PRKiI is the sole shareholder in PRK 7 Nieruchomości Sp. z o.o. and has control over the subsidiary. Trakcja PRKiI became the shareholder in PRK 7 Nieruchomości owning to the merger between Trakcja and PRK 7 S.A. which in turn owned PRK 7 Nieruchomości Sp. z o.o.

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

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

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

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

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

The Group's composition and percentage of the shares owned was presented in Note 2 of the Additional information and explanations hereto.

9.2. Estimate uncertainty

Recognition of revenues

If the completion of a construction contract can be estimated reliably, revenues from a construction contract that is in progress in the period from the conclusion thereof to the balance sheet date, less any revenues that have had effect on the financial performance in the preceding financial years, are recognised by reference to the degree of progress in its completion. The Group's companies measure the progress in completion thereof by reference to the expenses incurred from the conclusion of a given contract to the recognition of revenues in the total contract completion costs. For contracts concluded in foreign currency, sales revenues depend on the fluctuations of the currency exchange rates.

Provisions for correction works

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

Provisions for contractual penalties

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

Deferred tax assets

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

Amortisation and depreciation rates

Depreciation and amortisation rates are determined on the basis of the expected economic useful lives of tangible non-current assets and intangible assets. Every year the Group reviews the adopted economic useful lives using current estimates.

Investment property

Investment property is measured at fair value. The value of investment property is determined as at December 31, each year by independent appraisers who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Group follows the principles set forth in the Real Estate Management Act and the Regulation of the Council of Ministers on the detailed principles of property appraisal and rules and method for preparing appraisal reports. Throughout the year, as at the consecutive balance sheet dates, i.e. March 31, June 30 and September 30, the Group assesses whether there are any indications that the fair value may need to be changed. Fair value of investment property is measured by way of applying measurement techniques that require a maximum use of observable data.

Goodwill impairment

Pursuant to IAS 36, cash-generating units to which goodwill has been allocated are tested for impairment annually by the Parent Company's Management Board. The tests performed consist in the estimation of the value in use of cash generating units ("CGU") on the basis of future cash flows generated by such units, which are next adjusted to their present value with the use of a discount rare. As at September 30, 2016 the Group did not perform any tests for impairment as no circumstances occurred which would indicate that cash generating units might have been impaired.

Write-downs of inventories

The Management Board assesses whether there are any indications that inventories may need to be written down. For that purpose, the Company estimates the net realisable value of those inventories that lost their functional properties or are no longer useful.

Impairment of trade receivables and other receivables

The Management Board assesses whether there are any indications that trade receivables and other receivables may need to be impaired. The value of receivables is verified, taking into account the degree of probability of their payment, by way of recognising an impairment loss. Impairment losses depend on the likelihood of collection and the detailed analysis of key components of receivables. Depending on the type of customer and the source of receivables, the recoverability of receivables is assessed either on the basis of an individual analysis of individual receivables or on the basis of the statistical recoverability ratios estimated for collective receivables grouped by age. The recoverability ratios are calculated based on the past recoverability and customer behaviour, including also other factors which in the opinion of the Management Board may affect the recoverability of the current accounts receivable.

Fair value and its measurement

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Company measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. The detailed information on the items measured at fair value is presented in Note 28 and 30. Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 23, 41 and 48 of the Additional information and explanations the consolidated financial statements for 2015.

10. Basis for preparing the condensed consolidated financial statements

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

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

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

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

All intra-group transactions and balances, including unrealised profits on intra-group transactions, have been completely eliminated. Unrealised losses are eliminated unless they are an impairment indicator.

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

11. Statement of compliance

These condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union. At the approval hereof, as far as the accounting principles adopted by the Group are concerned, there are no significant differences between the IFRS standards and the IFRS standards approved by the EU. Any standards other than those that were in force as of September 30, 2016 and were approved by the EU as at the preparation hereof are described in Note 12.

The IFRS include standards and interpretations approved by the International Accounting Standards Board and the IFRS Interpretations Committee.

Measurement currency and currency of the financial statements

The Polish zloty is the measurement currency of the Parent Company and the majority of the companies within the Group, as well as the reporting currency in these condensed consolidated financial statements for the third quarter of 2016. The Euro (EUR) is the measurement currency of the companies with their registered offices in Lithuania, whereas the Swedish crown (SEK) is the measurement currency of AB Kauno Tiltai Sverige and the Belarusian rouble (BYN) is the measurement currency of the branch of AB Kauno Tiltai in Belarus.

12. Significant accounting principles

Except for the changes specified below, the accounting principles (policy) applied to these condensed consolidated financial statements for the third quarter of 2016 are consistent with those applied to the annual consolidated financial statements for 2015. The same principles apply to both the current and comparable period, unless a given standard or interpretation is to be applied only prospectively.

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

In these condensed consolidated financial statements, the Group decided not to apply any standards or interpretations issued before their effective dates.

At the moment, the IFRS in the shape approved by the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the below standards and amendments to standards, which as of November 10, 2016 have not yet been approved for application:

- *IFRS 9 Financial Instruments*

The new standard was published on July 24, 2014 and applies to annual periods starting from January 1, 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 shall apply the new standard from January 1, 2018.

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

- *IFRS 14 Regulatory Deferral Accounts*

The new standard was published on January 30, 2014 and applies to annual periods starting from January 1, 2016 or later. This standard is designed to allow entities adopting the IFRS for the first time, which currently recognise the regulatory deferral accounts in accordance with the previously generally adopted accounting principles, to continue recognising such accounts after the election to adopt the IFRS.

IFRS 14 Regulatory Deferral Accounts does not apply to the activities of the Group.

- *IFRS 15 Revenue from Contracts with Customers*

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

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

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

- *IFRS 16 Leases*

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

The Group will apply the new standard from January 1, 2019.

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

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

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

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

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

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

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

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

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

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

The Group shall apply the amended standard from January 1, 2017.

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

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

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

The Group shall apply the amended standard from January 1, 2017.

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

- *Amendments to IFRS 4 Insurance Contracts*

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts was issued by the IASB on September 12, 2016. The amendments are intended to address the issues related to the issuance of the new IFRS 9 Financial Instruments before the issuance of the new standard that replaces IFRS 4.

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

According to the Group's estimates, the application of hedge accounting to the portfolio of financial assets or liabilities under IAS 39 Financial Instruments: Recognition and Measurement would have no significant impact on the financial statements, if they were adopted for application as at the balance sheet date.

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

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

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

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

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

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

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

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

- *Amendments to IAS 19 Employee Benefits*

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

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

- *Amendments to IFRS 11 Joint Arrangements*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Data in PLN thousand, unless stated otherwise)

Changes introduced by the Group independently

In the period covered by the condensed financial statements for the third quarter of 2016, no changes were made to the principles of accounting and preparing financial statements in comparison to those disclosed in the Group's financial statements for 2015 published on March 21, 2016.

In the first half-year of 2016, the Group changed the disclosure method for deferred tax assets and provisions for deferred tax in the balance sheet. The change made involves offsetting deferred tax assets against provisions for deferred tax. In the opinion of the Management Board, such a disclosure method allows for the balance sheet items to be presented in a more reliable manner.
In the approved annual consolidated financial statements for the period of 12 months ended on December 31, 2015, the Group disclosed both deferred tax assets and provisions for deferred tax in their full amounts. In keeping with the change made, these quarterly consolidated financial statements reflect the aforementioned change and therefore the balance sheet total decreased by PLN 21,064 thousand. In the period analysed, the effect of the offset was PLN 27,213 thousand. Please find the effects of the change on the balance sheet as at December 31, 2015 presented in the table below.

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

13. Description of factors and events that have a significant impact on the financial performance of Trakcja Group in the third quarter of 2016

As at September 30, 2016 the portfolio of construction contracts of Trakcja Group was PLN 1,334 million (excluding the revenues allocated to consortium members). In the first three quarters of 2016, the companies within Trakcja Group signed construction contracts with the total value of PLN 505 million (excluding the revenues allocated to consortium members). The participation in new tenders in 2016 will allow the Group to secure, to an even greater extent, its portfolio of contracts for future periods.

The Trakcja Group's sales revenues for the third quarter of 2016 were PLN 408,734 thousand, that is they increased by PLN 76,879 thousand as compared to the corresponding period of 2015. The cost of goods sold increased by PLN 60,297 thousand and was PLN 356,098 thousand.

The gross profit on sales was PLN 52,636 thousand and increased by PLN 16,582 thousand as compared to the corresponding period of the previous year. In the third quarter of 2016, the gross profit margin was 12.9%, while in the corresponding period of 2015 it was 10.9%.

The general and administrative costs were PLN 13,729 thousand and increased by 25.6%, i.e. by PLN 2,794 thousand, in comparison with the comparable period. The cost of sales, marketing and distribution amounted to PLN 1,112 thousand and increased by PLN 66 thousand. The loss on other operating activities of the Group was PLN 4,134 thousand and decreased by PLN 4,312 thousand as compared to the comparable period. The main reason for this occurring was due to the expenses incurred and the provision recognised for employment restructuring by the Parent Company in the total amount of PLN 3,893 thousand. The Group's profit on operating activity for the third quarter of 2016 was PLN 34,043 thousand. The profit on operating activity increased by PLN 8,732 thousand as compared to the third quarter of 2015, when it was PLN 25,311 thousand.

The Group's loss on financial activity for the third quarter of 2016 was PLN 923 thousand and decreased by PLN 338 thousand in relation to the loss on financial activity for the third quarter of the preceding year.

The Group's gross profit for the period from July 1, 2016 to September 30, 2016 was PLN 33,120 thousand. The gross profit for the third quarter of 2016 increased by PLN 9,070 thousand as compared to the third quarter of 2015, when it was PLN 24,050 thousand. The income tax for the third quarter of 2016 decreased the gross profit by PLN 4,464 thousand and was higher by PLN 587 thousand as compared to the corresponding period of the previous year. The Group's net profit for the period from July 1, 2016 to September 30, 2016 was PLN 28,656 thousand. It was higher by PLN 8,483 thousand than the net profit for the third quarter of 2015.

At the end of the third quarter of 2016, the Group's balance sheet total was PLN 1,423,474 thousand and was higher by 9.0% than the balance sheet total at the end of 2015.

The non-current assets increased by PLN 17,184 thousand (i.e. by 2.5% of the non-current assets as at December 31, 2015) and were PLN 700,398 thousand, while the current assets increased by PLN 99,933 thousand, i.e. by 16.0% in comparison with their value as at December 31, 2015 and were PLN 723,076 thousand.

The increase in the non-current assets was mainly caused by an increase in the tangible non-current assets by PLN 18,893 thousand, which as at September 30, 2016 were PLN 213,125 thousand.

The increase in the current assets resulted primarily from an increase in the trade and other receivables by PLN 236,865 thousand, i.e. by 95.9%, due to the intensification of works in the second and third quarters. As at September 30, 2016 the trade and other receivables were PLN 483,729. As at September 30, 2016 the cash and cash equivalents decreased by PLN 183,894 thousand, i.e. by 73.1%, as compared to December 31, 2015. The decrease results mainly from the settlement of a significant payment at the end of 2015, which was paid by PKP PLK and settled with consortium members and subcontractors in 2016, and from the payment of current liabilities towards contractors and also from the high inventory levels.

As at September 30, 2016 the total equity of the Group increased by PLN 31,672 thousand in comparison with its balance as at December 31, 2015. This increase was mainly caused by the net profit for the nine months of 2016.

As at September 30, 2016 the long-term liabilities were PLN 111,580 thousand and decreased by PLN 9,330 thousand, i.e. by 7.7%, in comparison with their balance as at December 31, 2015. The decrease was primarily caused by a lower interest rate on the long-term loans and borrowings due to their reclassification to the short-term liabilities.

The short-term liabilities were PLN 553,931 thousand and increased by 20.6%, i.e. by PLN 94,775 thousand, as compared to December 31, 2015. The trade and other liabilities were PLN 304,310 thousand and increased by PLN 16,210 thousand, i.e. by 5.6%. The interest-bearing loans and borrowings increased by PLN 58,267 thousand and were PLN 79,892 thousand as at September 30, 2016.

At the beginning of 2016, the Group's cash was PLN 251,317 thousand, while at the end of the 9-month period it was PLN 63,603 thousand. The total net cash flows for the first 9 months of 2016 were negative and amounted to PLN 187,714 thousand, which means that they decreased by PLN 232,469 thousand in comparison with the corresponding period of 2015. In the period of 9 months of 2016, the balance of the loans incurred and repaid increased by PLN 15,728 thousand as compared to the corresponding period of 2015. In the third quarter of 2016, the Parent Company paid dividends in the total amount of PLN 17,476 thousand to its shareholders.

14. Seasonality and cyclicality

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

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

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

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

In the third quarter of 2016, except for the event described below, which has had a significant impact on assets, liabilities, equity, net profit/loss or cash flows, no other events occurred which would be atypical due to their type, size, impact or frequency.

On September 22, 2016, in order to adjust the employment level to the portfolio of contracts, the Management Board of Trakcja PRKiI S.A. decided to optimise the organisational structure of the Company in a way that as a result would lead to job losses. The termination of employment contracts will affect a group of workers specified in Current Report No. 22/2016 of September 22, 2016 and the majority of the contracts have already been terminated with effect at the end of September. The Parent Company's Management Board is convinced that the reduction in employment will result in the fixed costs being significantly decreased in the years to come starting from 2017.

As a result of the foregoing, the total amount of the provision established and expenses incurred, which was charged to the Company's and Trakcja Group's profit/loss and estimated to amount to PLN 3.9 million, is disclosed herein and will be reversed by June 30, 2017.

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

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

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

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

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

18. Risk factors

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

- Risk of growing competition,
- Risk of changes in the strategy of the Polish and Lithuanian authorities with regard to the modernisation of infrastructure over the next few years,
- Risk of being dependent on key customers,
- Risk of a potential loss of subcontractors and a potential rise in prices for services rendered by subcontractors,
- Risk associated with the lack of qualified employees,
- Currency risk,
- Risk associated with the volatility of prices for materials,
- Risk associated with the joint and several liability of members of construction consortia and with the liability for subcontractors,
- Risk related to potential penalties for failure to complete contracts,
- Risk of underestimating the project costs,
- Risk of completing the construction contracts,
- Risk associated with the conditions and procedures for awarding tenders and with the completion of projects,
- Risk of growing a portfolio of overdue receivables,
- Risk related to financial agreements,
- Liquidity risk,
- Risk of implementing the strategy.

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

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

19. Opinion of the Management Board on the published forecast

The Management Board of Trakcja PRKiI S.A. did not publish any financial forecast for 2016.

20. Brief description of significant accomplishments or failures in the third quarter of 2016

In the third quarter, Trakcja Group generated a net profit of PLN 28,656 thousand. The Group's focus on enhancing the effectiveness and efficiency of its operations and optimising the internal project management procedures enabled it to generate a gross profit margin of 12.9%.

The Group's significant accomplishments in the 9-month period ended September 30, 2016 include the following:

- The net profit for the first 9 months of 2016 was PLN 47,319 thousand, which means that it increased by PLN 9,054 thousand, i.e. by 23.7% in comparison with the corresponding period of 2015.

- Securing the availability of funding: as at September 30, 2016 the Trakcja Group's companies had at their disposal the total of overdrafts and revolving loans of up to PLN 115 million.
- Securing the availability of guarantee limits: as at September 30, 2016 the Trakcja Group's companies had at their disposal guarantee limits in the amount of up to PLN 793 million.
- Further development of IT equipment which supports the processes in the Parent Company.

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

No information material for the assessment of the Group's employment, assets, financial condition and performance and changes therein or for the assessment of the Group's ability to meet its obligations is available other than that presented in these condensed consolidated financial statements for the third quarter of 2016.

(Data in PLN thousand, unless stated otherwise)

22. Deferred tax

	Balance sheet 30.09.2016	Balance sheet 31.12.2015	Consolidated statement of total comprehensive income for the period of 9 months ended 30.09.2016
	Unaudited	*Modified*	
Deferred tax assets	37 080	30 779	6 301
Provision for deferred tax	29 366	26 613	(2 753)
The value of offsetting of deferred tax assets and deferred tax liabilities	(27 213)	(21 064)	
Offset by the deferred tax asset	**9 867**	**9 715**	
Offset by the deferred tax liability	**2 153**	**5 549**	
Change of deffered tax assets and liabilities			**3 548**
Including:			
- through profit or loss			3 379
- through equity			(212)
- variances due to currency translation			381

23. Change in impairment losses and write-downs

	Tangible asstes	Intangible assets	Goodwill	Inventory	Receivables	Total
As at 1.01.2016 *Modified*	**792**	**-**	**49 733**	**1 194**	**21 661**	**73 380**
Recognized	-	-	-	1 055	3 021	4 076
Variances due to currency translation	-	-	-	18	5	23
Used	-	-	-	(1 484)	(114)	(1 598)
Reversed	-	-	-	-	(487)	(487)
As at 30.09.2016 *Unaudited*	**792**	**-**	**49 733**	**783**	**24 086**	**75 394**

(Data in PLN thousand, unless stated otherwise)

24. Provisions

	Provisions
As at 1.01.2016	**32 892**
Audited	
Recognized	45 220
Variations due to currency translation	171
Used	(37 616)
Reversed	(2 636)
As at 30.09.2016	**38 031**
Unaudited	
including	
- long-term	15 772
- short-term	22 259

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

From January 1, 2016 to September 30, 2016, the Group purchased tangible non-current assets and intangible assets in the amount of PLN 35,718 thousand (as compared to PLN 28,469 thousand in the comparable period of 2015).
From January 1, 2016 to September 30, 2016, the Group disposed of tangible non-current assets and intangible assets in the total book value of PLN 1,469 thousand (as compared to PLN 351 thousand in the comparable period of 2015).

26. Interests in joint ventures

In the third quarter of 2016, the Parent Company held 50% of shares in Bahn Technik Wrocław Sp. z o.o. (BTW) which performs rail works, including welding, regeneration of turnouts and assembly of railway tracks. BTW operates in Poland. The investment in BTW is measured under the equity method.

Please find below a summary of financial data of BTW and its reconciliation with the carrying amount of the interests in joint ventures.

	30.09.2016	31.12.2015
	Unaudited	*Modified*
Current assets	10 496	19 744
including: Cash and cash equivalents	1 846	3 231
Non-current assets	23 073	24 030
Long-term liabilities	4 438	14 266
including: Interest-bearing bank loans and borrowings	3 682	2 094
Short-term liabilities	1 459	1 230
including: Provision for deferred tax	660	1 157
Equity	**27 673**	**28 279**
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	**13 836**	**14 140**

(Data in PLN thousand, unless stated otherwise)

	1.01.2016 - 30.09.2016	**1.01.2015 - 30.09.2015**
	Unaudited	*Unaudited*
Sales revenues	19 478	28 310
Cost of goods sold	20 095	25 837
including: Depreciation	2 341	2 091
Financial income	148	50
including: Interest income	5	13
Financial costs	355	80
including: Interest cost	44	54
Income tax	(107)	501
Net result from continued operations	**(605)**	**1 941**
Net result from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	**(605)**	**1 941**
Group's share of profit for the year from continued operations (50%)	(302)	971
Group's share of total comprehensive income for the year from continued operations (50%)	**(302)**	**971**

As at September 30, 2016 the BTW's contingent liabilities were as follows:

- promissory notes in the amount of PLN 1,748 thousand (as compared to PLN 2,000 thousand as at December 31, 2015);
- assignments of rights under insurance policies in the total amount of PLN 10,408 thousand (as compared to PLN 10,210 thousand as at December 31, 2015);
- granted guarantees in the amount of PLN 326 thousand (as compared to PLN 266 thousand as at December 31, 2015);

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

In the third quarter of 2016, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the annual consolidated financial statements. The carrying amounts of financial assets and liabilities are close to their fair values.

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

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

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

In the third quarter of 2016, no fair value was reallocated to level 1, 2 or 3.

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

In the third quarter of 2016, the Group did not reclassify any financial assets due to changes in their purpose or use.

29. Additional information to the statement of cash flows

As at September 30, 2016 and December 31, 2015, the cash and cash equivalents in the consolidated statement of cash flows consisted of the following items:

	30.09.2016	31.12.2015
	Unaudited	*Modified*
Cash in hand	208	124
Cash at bank	64 036	95 294
Other cash	3 297	155 088
Other cash - escrow	-	928
Total	**67 541**	**251 435**
	-	**-**
Total cash and cash equivalents	**67 541**	**251 435**
Cash and cash equivalents excluded from cash flow statement	(3 938)	(118)
Cash and cash equivalents presented in cash flow statement	**63 603**	**251 317**

Cash excluded from the statement of cash flows as at September 30, 2016 comprises cash blocked on the property development project accounts in the amount of PLN 3,938 thousand.

30. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment property and financial derivatives. In the period of 9 months ended September 30, 2016 the measurement method for the aforementioned assets and liabilities remained unchanged. The measurement method applied and the unobservable inputs used for measurement are described in detail in the Group's consolidated annual financial statements for 2015.

Balance sheet elements	Level 1		Level 2		Level 3	
accounted in fair value	30.09.2016	31.12.2015	30.09.2016	31.12.2015	30.09.2016	31.12.2015
Derivatives (liability)	-	-	8 398	5 843	-	-
Investment property	-	-	-	-	21 980	21 976
Offices	-	-	-	-	15 772	15 772
Land	-	-	-	-	2 291	2 287
Deposits of natural aggregates	-	-	-	-	3 917	3 917

In the period of 9 months ended September 30, 2016 no reallocations were made to level 1, 2 or 3.

31. Information on segments

Segments are described in the consolidated annual financial statements of Trakcja Group for 2015.

Key customers:

In the period of 9 months of 2016, revenues from transactions with external single customers constituted respectively 10% or more of the total revenues of the Group. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below.

Total revenues in the 9-month period ended September 30, 2016 from a single customer (in PLN thousand)	Segments representing such revenues
384,379	Civil engineering – Poland

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

(Data in PLN thousand, unless stated otherwise)

Operating segments:

For the period from 1.01.2016 to 30.09.2016 *Unaudited*	**Civil building segment**	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues							
Sales to external customers	514 570	372 547	446	887 563	-	-	887 563
Sales between segments	5	-	-	5	-	(5)	-
Total segment revenues	**514 575**	**372 547**	**446**	**887 568**	**-**	**(5)**	**887 563**
Depreciation	10 549	6 758	50	17 357	-		17 357
Share of profits of entities consolidated using equity method	(302)	-	-	(302)	-	-	(302)
Financial income - interests	557	2 780	31	3 368	-	-	3 368
Financial expenses - interests	2 248	2 264	8	4 520	-	-	4 520
Gross profit	**24 773**	**55 381**	**(1 296)**	**78 858**	**-**	**(23 220)**	**55 638**

For the period from 1.01.2015 to 30.09.2015 *Unaudited*	**Civil building segment**	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Revenues							
Sales to external customers	575 523	306 461	14 643	896 627	-	-	896 627
Sales between segments	13	1	62	75	-	(75)	-
Total segment revenues	**575 535**	**306 462**	**14 705**	**896 702**	**-**	**(75)**	**896 627**
Depreciation	12 305	6 404	59	18 767	-	(43)	18 724
Joint venture	971	-	-	971	-	-	971
Financial revenues - interests	919	3 847	52	4 819	-	-	4 819
Financial expenses - interests	3 641	1 952	3	5 595	-	-	5 595
Gross profit	**33 707**	**26 037**	**2 186**	**61 930**	**-**	**(15 751)**	**46 179**

(Data in PLN thousand, unless stated otherwise)

As at 30.09.2016 *Unaudited*	**Civil building segment**	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	**728 511**	**763 408**	**50 617**	**1 542 536**	**-**	**(128 929)**	**1 413 607**
Assets not allocated to segments							9 867
Total assests							**1 423 474**
Segment liabilities	**313 991**	**263 320**	**15 064**	**592 375**	**-**	**(38 444)**	**553 931**
Other disclosures:							
Capital expenditure	(21 418)	(8 502)	-	(29 920)	-	-	(29 920)
Impairment of non-financial assets	(1 055)	-	-	(1 055)	-	-	(1 055)
Joint venture	13 837	-	-	13 837	-	-	13 837

As at 31.12.2015 *Audited*	**Civil building segment**	**Road segment**	**Other segments**	**Total**	**Discontinued operations**	**Exclusions**	**Total operations**
Segment assets	**680 874**	**707 032**	**44 306**	**1 432 212**	**-**	**(135 570)**	**1 296 642**
Assets not allocated to segments						-	9 715
Total assests						**-**	**1 306 357**
Segment liabilities	**270 972**	**227 760**	**5 545**	**504 277**		**(45 121)**	**459 156**
Other disclosures:							
Capital expenditure	(22 397)	(17 671)	(89)	(40 157)	-	-	(40 157)
Impairment of non-financial assets	(15 699)	-	-	(15 699)	-	-	(15 699)
Joint venture	14 140	-	-	14 140	-	-	14 140

(Data in PLN thousand, unless stated otherwise)

Geographical segments:

For the period from 1.01.2016 to 30.09.2016
Unaudited

	Domestic	Foreign	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	515 017	372 547	887 563	-	-	887 563
Sales between segments	5	-	5	-	(5)	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	**515 022**	**372 547**	**887 568**	**-**	**(5)**	**887 563**

For the period from 1.01.2015 to 30.09.2015
Unaudited

	Domestic	Foreign	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	590 166	306 461	896 627	-	-	896 627
Sales between segments	74	1	75	-	(75)	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	**590 240**	**306 462**	**896 702**	**-**	**(75)**	**896 627**

As at 30.09.2016
Unaudited

	Domestic	Foreign	Total	Discontinued operations	Exclusions	Total operations
Operating assets	779 181	763 355	1 542 536	-	(128 929)	1 413 607
Operating liabilities	346 337	246 039	592 376	-	(38 444)	553 932

As at 31.12.2015
Audited

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

(Data in PLN thousand, unless stated otherwise)

32. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	30.09.2016	31.12.2015
	Unaudited	*Modified*
Contingent receivables		
From related entities due to:	**-**	**809**
Received guarantees and sureties	-	809
From related entities due to:	**73 309**	**98 049**
Received guarantees and sureties	68 053	92 547
Bills of exchange received as collateral	5 256	5 502
Total contingent receivables	**73 309**	**98 859**
From related entities due to:		
From related entities due to:	**-**	**809**
Provided guarantees and sureties	-	809
From other entities due to:	**2 098 429**	**2 717 007**
Provided guarantees and sureties	522 151	563 859
Promissory notes	512 675	439 152
Mortgages	150 745	151 067
Assignment of receivables	812 678	1 456 182
Assignment of rights under insurance policy	47 470	41 586
Security deposits	15 907	28 419
Other liabilities	36 802	36 743
Total contingent liabilities	**2 098 429**	**2 717 816**

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

As at September 30, 2016, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 1,452 thousand (as compared to PLN 1,310 thousand as at December 31, 2015) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Group, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues. As at September 30, 2016 the contingent liabilities arising from the employment contracts signed with employees were PLN 9,433 thousand (as compared to PLN 8,672 thousand as at December 31, 2015).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland and Lithuania results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Group may be increased by additional tax liabilities. In the Group's opinion, the provisions established as at September 30, 2016 are sufficient to mitigate the recognised and measurable tax risk.

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

33. Information on credit and loan guarantees and on guarantees granted by the Issuer or its subsidiary

In the third quarter of 2016, neither the Issuer nor its subsidiaries did grant any guarantees for credits or loans or any guarantees to any entity or its subsidiary, the total of which would constitute an equivalent of at least 10% of the Issuer's equity.

34. Significant court cases and disputes

As at September 30, 2016 the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authority, the value of which would separately constitute an equivalent of at least 10% of the equity of Trakcja PRKiI S.A. The Company also informs that the total value of the proceedings concerning its claims and liabilities constitutes at least 10% of the Company's equity. The total value of the proceedings concerning the Company's claims is PLN 62,154,148.38, and the total value of proceedings concerning the Company's liabilities is PLN 5,429,113.96.

The most significant proceedings concerning claims:

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

Trakcja S.A. in Warsaw merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja PRKiI S.A. in Warsaw. In connection with the announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (hereinafter referred to as the "PNI") with an option of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław submitted a list of claims dated November 20, 2012 to the bankruptcy court. The submission covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the declaration of bankruptcy, as well as the accrued contractual penalties.
To the Company's knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja PRKiI S.A. were recognised in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 for the unpaid invoices and PLN 294,632.29 for the interest for delay in payment. The Company's receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were dismissed. The Company did not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the Company filed a complaint which was overruled. On June 8, 2015 the Company received a notice from the trustee in bankruptcy on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

The most significant proceedings concerning liabilities:

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

Eiffage Polska Koleje Sp. z o.o. based in Warsaw filed on May 15, 2015 a suit for payment for the amount of PLN 1,634,833.00 against Trakcja PRKiI S.A., seeking remuneration for additional expenses incurred in the extended term of the contract. The Company filed its reply to the claim and now the case is pending. Its resolution date is difficult to predict.

Other proceedings:

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

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

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

PRK 7 Nieruchomości Sp. z o.o.

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

AB Kauno Tiltai

The investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which the subsidiary, AB Kauno tiltai, is a member, for a total amount of PLN 64,634,966.89 (EUR 14,989,556.33). The investor brought a claim against AB Kauno Tiltai concerning the contractual penalty for delay in the performance of works. The share of Trakcja Group in liabilities (if any) that may arise from this trial is 65%. An expertise was carried out and the hearing date was set. The Group decided to keep the provision unchanged in the amount set since December 31, 2015. The Group refrained from making any other disclosures related to this court case by invoking clause 92 of IAS 37.

35. Dividends paid and declared

In the third quarter of 2016, Trakcja PRKiI S.A. paid dividends.

On June 16, 2016 the Company's Annual General Meeting adopted a resolution, according to which the Company's profit for 2015 in the amount of PLN 35,161,377.61 would be allocated as follows:

- the amount of PLN 17,475,846.32 (i.e. PLN 0.34 per share) to pay dividends,
- the amount of PLN 17,685,531.29 to increase the supplementary capital.

The number of shares entitled to dividends is 51,399,548.

The Annual General Meeting has decided that the dividend date shall be June 24, 2016 and that dividends shall be paid on July 8, 2016.

(Data in PLN thousand, unless stated otherwise)

36. Information on related entities

In the third quarter of 2016, the Group companies did not make any significant transactions with their related entities on terms other than at arm's length. Transactions made by the Parent Company and its subsidiaries (related entities) are the arm's length transactions and their nature is a result of the current operations conducted by the Parent Company and its subsidiaries.

Please find below the totals of transactions made with related entities from January 1, 2016 to September 30, 2016:

Please also find below information on any receivables from and liabilities towards related entities as at September 30, 2016.

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
Shareholders of parent company:							
COMSA S.A.	1.01.2016 - 30.09.2016	-	1 413	-	-	-	-
	1.01.2015 - 30.09.2015	-	1 500	-	-	-	-
Joint ventures:							
BTW Sp. z o.o.	1.01.2016 - 30.09.2016	746	3 420	-	-	-	-
	1.01.2015 - 30.09.2015	593	2 718	-	-	-	-
Total	**1.01.2016 - 30.09.2016**	**746**	**4 833**	**-**	**-**	**-**	**-**
	1.01.2015 - 30.09.2015	**593**	**4 218**	**-**	**-**	**-**	**-**

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders of parent company:					
COMSA S.A.	30.09.2016	-	440	-	-
	31.12.2015	-	1 011	-	-
Joint ventures:					
BTW Sp. z o.o.	30.09.2016	84	1 016	-	-
	31.12.2015	194	1 484	-	-
Total	**30.09.2016**	**84**	**1 456**	**-**	**-**
	31.12.2015	**194**	**2 495**	**-**	**-**

(Data in PLN thousand, unless stated otherwise)

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

37. Significant events in the third quarter of 2016 and after the balance sheet date

Please find below a summary of significant events that took place in the third quarter of 2016.

Important events in III quarter of year 2016	CR
Changes in the Management Board	
On September 6, 2016, the Company received a statement from Mr. Nerijus Eidukevicius on resignation from the position of Vice President of Trakcja PRKiI S.A. The resignation was filed with effect on September 8, 2016.	21/2016
Other	
On 22.09.2016, the Management Board with major delay in the financial prospects for 2014-2020 as far as tenders announced on the infrastructural market, mostly railway infrastructure market, having carefully analysed all the business and social aspects, the Company's Management Board decided to optimise the Company's organisational structure in a way that as a result will lead to job losses pursuant to Article 2 para. 3 and 4 of the Act on Specific Rules for Terminating Employment Relationships with Employees for Reasons Beyond the Employees' Control of 13 March 2003.	22/2016

Except for the aforementioned events, in the third quarter of 2016 Trakcja PRKiI S.A. and PKP PLK S.A. signed construction contracts which totalled PLN 84,111 thousand (and in the period of the last 12 months preceding the publication hereof, the total value of the contracts with PKP PLK S.A. was PLN 169,133 thousand).

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

Significant events after the balance sheet date	CR
Other	
Company created provision for staff restructuring to be covered in the standalone and consolidated financial results for the year 2016. The total value of the provision made and the incurred costs on the result of the Trakcja PRKiI S.A. Company and the Group, estimated as PLN 3.9 million, was presented in the standalone financial statement for the third quarter of 2016 and settled until 30 June 2017.	23/2016

On November 10, 2016 a conditional share purchase agreement ("Agreement") was concluded between the Issuer and Leonard Weiss GmbH ("Seller"), a shareholder in Bahn Technik Wrocław Sp. z o.o. ("BTW"). The agreement covers the acquisition of 50% of shares (i.e. 4,000) in BTW with a nominal value of PLN 500 each share for the total price of PLN 21,500,000.00 for all the shares purchased. The acquisition of shares will be financed with a 5-year investment loan of PLN 21,500,000.00. The transfer of shares will require the consent of the President of UOKiK [Competition and Consumer Protection Office].

The Issuer has so far held 50% of shares in BTW. Under the Agreement concluded, the Issuer will become the sole shareholder in BTW. Having acquired full control over BTW, the Issuer will be able to strengthen its position on the railway construction market owing to access to the BTW's specialised equipment. That will enhance its competitiveness and independence. BTW has so far been consolidated under the equity method. When the President of UOKiK grants its consent to the acquisition of the remaining shares by the Issuer, BTW will be consolidated using the full consolidation method. The transaction will be fully settled within 12 months from the acquisition pursuant to IFRS 3.

BTW performs rail works, including welding, regeneration of turnouts and assembly of railway tracks in Poland. BTW is well-equipped with specialised machinery for rail and track works.

(Data in PLN thousand, unless stated otherwise)

IV.QUARTERLY FINANCIAL INFORMATION

STANDALONE PROFIT AND LOSS STATEMENT

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
Continued operations				
Sales revenue	**491 116**	**222 773**	**531 743**	**185 701**
Cost of goods sold	**(463 583)**	**(210 984)**	**(487 684)**	**(173 585)**
Gross profit (loss) on sales	**27 533**	**11 789**	**44 059**	**12 116**
Cost of sales, marketing and distribution	(1 324)	(383)	(1 122)	(371)
General and administrative costs	(18 132)	(5 638)	(25 426)	(5 376)
Other operating revenues	2 655	734	2 121	1 016
Other operating costs	(4 821)	(4 483)	(1 266)	(573)
Operating profit (loss)	**5 911**	**2 019**	**18 366**	**6 812**
Financial revenues	25 768	254	18 145	503
Financial costs	(3 625)	(1 479)	(5 438)	(1 321)
Gross profit (loss)	**28 054**	**795**	**31 073**	**5 994**
Income tax	(679)	153	(3 831)	(1 464)
Net profit (loss) from continued operations	**27 375**	**948**	**27 242**	**4 530**
Discontinued operations				
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	**27 375**	**948**	**27 242**	**4 530**
Profit per share attributable to shareholders in the period (PLN per share)				
- basic	0,53	0,02	0,53	0,09
- diluted	0,53	0,02	0,53	0,09

(Data in PLN thousand, unless stated otherwise)

STANDALONE STATEMENT OF COMPREHENSIVE INCOME

	1.01.2016 - 30.09.2016	1.07.2016 - 30.09.2016	1.01.2015 - 30.09.2015	1.07.2015 - 30.09.2015
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
Net profit for the period	**27 375**	**948**	**27 242**	**4 530**
Other comprehensive income:				
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	**1 069**	**510**	**(1 223)**	**(459)**
Actuarial gains/(losses)	1 069	510	(1 223)	(459)
Total other comprehensive income	**1 069**	**510**	**(1 223)**	**(459)**
TOTAL COMPREHENSIVE INCOME FOR THE	**28 444**	**1 458**	**26 019**	**4 071**

(Data in PLN thousand, unless stated otherwise)

STANDALONE BALANCE SHEET

ASSETS	**30.09.2016**	**31.12.2015**
	Unaudited	*Modified*
Non-current assets	**633 680**	**619 661**
Tangible non-current assets	135 135	117 408
Intangible assets	54 594	55 567
Investment properties	17 602	17 602
Investments in joint venture	2 008	2 008
Investments in subsidiaries	412 732	412 572
Other financial assets	3 918	4 671
Deferred tax assets	5 668	6 587
Accruals	2 023	3 246
Current assets	**339 272**	**299 500**
Inventory	61 990	31 283
Trade and other receivables	222 155	101 581
Other financial assets	10 052	11 828
Cash and cash equivalents	21 419	136 025
Accruals	5 581	7 206
Construction contracts	15 013	8 515
Assets held for sale	3 062	3 062
Total assets	**972 952**	**919 161**
Equity and liabilities		
Equity	**624 289**	**613 327**
Share capital	41 120	41 120
Share premium account	309 984	309 984
Revaluation reserve	6 289	6 295
Other capital reserves	239 521	220 767
Retained earnings	27 375	35 161
Total equity	**624 289**	**613 327**
Long-term liabilities	**44 768**	**47 399**
Interest-bearing loans and borrowings	30 198	33 340
Provisions	6 508	4 690
Liabilities due to employee benefits	8 062	9 369
Short-term liabilities	**303 895**	**258 435**
Interest-bearing loans and borrowings	67 626	9 651
Trade and other liabilities	178 459	182 398
Provisions	9 545	6 189
Liabilities due to employee benefits	6 677	6 722
Tax liabilities	-	3 362
Other financial liabilities	-	148
Accruals	268	150
Construction contracts	41 320	49 815
Total equity and liabilities	**972 952**	**919 161**

(Data in PLN thousand, unless stated otherwise)

STANDALONE CASH FLOW STATEMENT

	Note	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
		Unaudited	*Unaudited*
Cash flows from operating activities			
Gross profit from continued operations		**28 054**	**31 073**
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		**(165 789)**	**23 027**
Depreciation		9 005	10 199
FX differences		246	(757)
Net interest and dividends		(23 516)	(12 031)
Profit on investment activities		232	(272)
Change in receivables		(118 626)	137 756
Change in inventory		(30 707)	(5 015)
Change in liabilities, excluding loans and borrowings		5 995	(106 174)
Change in prepayments and accruals		2 965	(7 054)
Change in provisions		5 174	(3 917)
Change in construction contracts		(14 992)	17 945
Income tax paid		(3 362)	(6 164)
Other		1 797	(1 489)
Net cash flows from operating activities		**(137 735)**	**54 100**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(20 577)	(5 894)
- acquisition		(20 837)	(7 541)
- sale		260	1 647
Sale (acquisition) of shares and stocks in affiliates and subsidiaries		(160)	-
- acquisition		(160)	-
Financial assets		6 337	3 121
- granted or acquired		9 676	4 278
- repaid		(3 339)	(1 157)
Loans		(3 700)	448
- granted		-	1 948
- repaid		(3 700)	(1 500)
Dividend received		12 733	-
Interest received		-	244
Net cash flows from investment activities		**(5 367)**	**(2 081)**
Cash flows from financial activities			
Proceeds on account of taken borrowings and loans		57 040	-
Repayment of borrowings and loans		(3 209)	(10 075)
Interests and commissions paid		(2 089)	(3 732)
Inflows (outflows) due to other financial liabilities		(327)	(38 338)
Payment of liabilities under financial lease agreements		(5 443)	(3 550)
Inflows (outflows) due to other financial liabilities		(17 476)	-
Net cash flows from financial activities		**28 496**	**(55 695)**
Total net cash flows		**(114 606)**	**(3 676)**
Net FX differences		-	-
Cash at start of period		**136 025**	**14 113**
Cash at end of period	**3**	**21 419**	**10 437**
- with limited access		-	936

(Data in PLN thousand, unless stated otherwise)

STANDALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals			Retained earnings	Total equity
Modified				Actuarial gains/ (losses)	Results from previous years	Other		
As at 1.01.2016	**41 120**	**309 984**	**6 295**	**(779)**	**221 546**	**-**	**35 161**	**613 327**
Corrections of errors	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	**41 120**	**309 984**	**6 295**	**(779)**	**221 546**	**-**	**35 161**	**613 327**
Net profit for the period	-	-	-	-	-	-	27 375	27 375
Other comprehensive income	-	-	-	1 069	-	-	-	1 069
Distribution of profit	-	-	-	-	17 685	-	(17 685)	-
Dividend payment	-	-	-	-	-	-	(17 476)	(17 476)
Other changes	-	-	(6)	-	-		-	(6)
As at 30.09.2016 Unaudited	**41 120**	**309 984**	**6 289**	**290**	**239 231**	**-**	**27 375**	**624 289**
Audited								
As at 1.01.2015	**41 120**	**309 984**	**12 604**	**(4 106)**	**171 845**	**-**	**49 797**	**581 244**
Corrections of errors	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-
As at 1.01.2015 after adjustments	**41 120**	**309 984**	**12 604**	**(4 106)**	**171 845**	**-**	**49 797**	**581 244**
Net profit for the period	-	-	-	-	-	-	27 242	27 242
Other comprehensive income	-	-	-	(1 223)	-	-	-	(1 223)
Distribution of profit	-	-	-	-	49 797	-	(49 797)	-
Transfer within equity	-	-	(5 879)	3 488	(2 184)	4 006	-	(569)
As at 30.09.2015 Unaudited	**41 120**	**309 984**	**6 725**	**(1 841)**	**219 458**	**4 006**	**27 242**	**606 694**

(Data in PLN thousand, unless stated otherwise)

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

V. ADDITIONAL INFORMATION AND EXPLANATIONS TO THE CONDENSED STANDALONE FINANCIAL STATEMENTS

1. Analysis of the financial performance of Trakcja PRKiI S.A. in the third quarter of 2016

In the third quarter ended September 30, 2016 the Company's sales revenues were PLN 222,773 thousand, which is an increase by 20.0% as compared to the corresponding period of 2015. In the third quarter of 2016, the cost of goods sold increased by PLN 37,399 thousand, i.e. by 21.5%, and was PLN 210,984 thousand. In the third quarter of 2016, the gross profit margin was 5.3% and dropped by 1.2 pp. in comparison with its level at the end of the third quarter of 2015. The decrease was caused by the fact that the fixed operating costs were absorbed by a lower portfolio of contracts completed in the third quarter of 2016.

The general and administrative costs were PLN 5,638 thousand and increased by 4.9%, i.e. by PLN 262 thousand, in comparison with the comparable period. The cost of sales, marketing and distribution was PLN 383 thousand in the analysed period.

The loss on other operating activities was PLN 3,749 thousand. It increased by PLN 3,348 thousand as compared to the corresponding period of the comparable year. The main reason for this occurring was due to the expenses incurred and the provision established for employment restructuring in the total amount of PLN 3,893 thousand. The Company's operating profit for the period from July 1, 2016 to September 30, 2016 was PLN 2,019 thousand. It decreased by PLN 4,793 thousand in comparison with its level for the third quarter of 2015, when it was PLN 6,812 thousand.

The Company's financial revenues were PLN 254 thousand and decreased in comparison with the financial revenues for the third quarter of 2015 by PLN 249 thousand. The financial expenses increased by PLN 158 thousand and were PLN 1,479 thousand.

The Company's gross profit for the period from July 1, 2016 to September 30, 2016 was PLN 795 thousand. The income tax for the third quarter of 2016 was PLN 153 thousand and decreased by PLN 1,617 thousand as compared to the corresponding period of the preceding year. The Company's net profit for the period from July 1, 2016 to September 30, 2016 was PLN 948 thousand and was lower by PLN 3,582 thousand than the net profit for the corresponding period of the preceding year due to the establishment of the provision for employment restructuring.

At the end of the third quarter of 2016, the Company's balance sheet total was PLN 972,952 thousand and was higher by PLN 53,791 thousand than the balance sheet total at the end of 2015.

The non-current assets increased by PLN 14,019 thousand and were PLN 633,680 thousand. As compared to the end of 2015, the current assets increased by PLN 39,772 thousand, i.e. by 13.3%, and were PLN 339,272 thousand. The increase resulted primarily from an increase in the trade and other receivables by PLN 120,574 thousand, i.e. by 118.7%, which were PLN 222,155 thousand as at September 30, 2016. The Company's inventories also increased by PLN 30,707 thousand and were PLN 61,990 thousand as at September 30, 2016. The Company's cash and cash equivalents decreased by PLN 114,606 thousand, i.e. by 84.3%, and were PLN 21,419 thousand at the end of September 2016. The decrease was caused by the settlement of a significant payment received at the end of 2015 from PKP PLK, which was settled with consortium members and subcontractors in 2016, and the payment of current liabilities towards contractors and also by the high inventory levels.

As at September 30, 2016 the Company's equity increased by PLN 10,962 thousand as compared to its balance as at December 31, 2015.

In comparison with the end of 2015, the long-term liabilities decreased by PLN 2,631 thousand and were PLN 44,768 thousand as at September 30, 2016. The short-term liabilities were PLN 303,895 thousand and increased by 17.6%, i.e. by PLN 45,460 thousand as compared to the end of the previous year. The largest increase was experienced by the interest-bearing loans and borrowings, which were PLN 67,626 thousand and increased by PLN 57,975 thousand, i.e. by 600.7%.

At the beginning of 2016, the Company's cash was PLN 136,025 thousand, while at the end of the 9-month period it was PLN 21,419 thousand. The total net cash flows for the first 9 months of 2016 were negative and amounted to PLN 114,606 thousand, which means that they increased by PLN 110,930 thousand in comparison with the corresponding period of 2015. The Company's cash flows from operating activities were negative and amounted to PLN 137,735 thousand. In the 9-month period of 2016, Trakcja PRKiI increased its debt by PLN 54,685 thousand in comparison with its balance as atDecember 31, 2015 when it was PLN 43,139 thousand. The increase was caused by a significant use of the working capital (including, a significant increase in the inventory levels) due to the intensification of works in the second and third quarters of 2016 and due to delays in the launch of tenders.

(Data in PLN thousand, unless stated otherwise)

2. Seasonality and cyclicality

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

3. Additional information to the statement of cash flows

	30.09.2016	31.12.2015
	Unaudited	*Modified*
Cash in hand	29	52
Cash at bank	20 611	1 495
Other cash	779	133 550
Other cash - escrow	-	928
Total cash and cash equivalents	**21 419**	**136 025**
Cash and cash equivalents excluded from cash flow statement		
Cash and cash equivalents presented in cash flow statement	**21 419**	**136 025**

4. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the table below:

	30.09.2016	31.12.2015
	Unaudited	*Modified*
Contingent receivables		
From related entities due to:	**72 837**	**94 664**
Received guarantees and sureties	67 581	89 162
Bills of exchange received as collateral	5 256	5 502
Total contingent receivables	**72 837**	**94 664**
Contingent liabilities		
From related entities due to:	**-**	**809**
Provided guarantees and sureties	-	809
From other entities due to:	**1 842 516**	**2 269 160**
Provided guarantees and sureties	431 115	394 038
Promissory notes	512 675	439 152
Mortgages	99 000	99 000
Assignment of receivables	701 542	1 238 501
Assignment of rights under insurance policy	47 470	41 586
Security deposits	13 912	20 140
Other liabilities	36 802	36 743
Total contingent liabilities	**1 842 516**	**2 269 969**

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

As at September 30, 2016, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 1,452 thousand (as compared to PLN 1,310 thousand as at December 31, 2015) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Company, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues.

The contingent liabilities arising from employment contracts with employees were PLN 6,108 thousand as at September 30, 2016 (as compared to PLN 6,368 thousand as at December 31, 2015).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Company may be increased by additional tax liabilities. In the Company's opinion, the provisions established as at September 30, 2016 are sufficient to mitigate the recognised and measurable tax risk.

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

Jarosław Tomaszewski	Paweł Nogalski
President of the Management Board	Vice-President of the Management Board
Marek Kacprzak	Sławomir Raczyński
Vice-President of the Management Board	Vice-President of the Management Board

Person responsible for preparing the report:

Sławomir Krysiński

Director of Financial Reporting in Trakcja Group

Warsaw, November 10, 2016