



# TRAKCJA CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE PERIOD OF 9 MONTHS ENDED ON 30 SEPTEMBER 2014

published pursuant to § 82 sec. 1 point 1 of the Regulation of the Minister of Finance dated February 19, 2009 on current and periodic information to be published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws No 2014, item 133)

**CONTENTS OF THE CONSOLIDATED QUARTERLY REPORT:**

- I. Selected financial data of the Trakcja Capital Group
- II. Condensed quarterly financial statements of the Trakcja Capital Group
- III. Additional information and explanations to the condensed consolidated financial statements
- IV. Quarterly financial information of Trakcja PRKił S.A.
- V. Additional information and explanations to the condensed financial statements

## APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

The Management Board of Trakcja PRKił S.A. has approved the condensed consolidated financial statement of Trakcja Capital Group for the 9-month period ended on September 30, 2014.

The condensed consolidated financial statement for the III quarter of 2014 was prepared according to the International Financial Reporting Standards (IFRS) approved by the European Union applicable to interim reporting (MSR 34). Information included herein is presented in the following sequence:

- I. Consolidated profit and loss statement for the period from January 1, 2014 to September 30, 2014 showing net profit amounting to PLN **33 283** thousand.
- II. Consolidated statement of comprehensive income for the period from January 1, 2014 to September 30, 2014 showing total negative comprehensive income amounting to PLN **30 349** thousand.
- III. Consolidated balance sheet as of September 30, 2014 showing the assets and liabilities in the amount of PLN **1 684 664** thousand.
- IV. Consolidated cash flow statement for the period from January 1, 2014 to September 30, 2014 showing decrease in net cash balance by PLN **29 242** thousand.
- V. Consolidated statement of changes in equity for the period from January 1, 2014 to September 30, 2014 showing increase of equity by PLN **31 529** thousand.
- VI. Additional information and explanations.

The condensed consolidated financial statements are expressed in thousand Polish Zloty, unless expressly indicated otherwise.

Roman Przybył  
President of the Board

Marita Szustak  
Vice – president of the Board

Stefan Dziedziul  
Vice – president of the Board

Nerijus Eidukevičius  
Vice – president of the Board

Jarosław Tomaszewski  
Vice – president of the Board

Warsaw, November 6, 2014

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**I. SELECTED FINANCIAL DATA OF THE TRAKCJA CAPITAL GROUP**

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
30.09.2014	4,1803	4,0998	4,2375	4,1755
31.12.2013	4,2110	4,0671	4,3432	4,1472
30.09.2013	4,2231	4,0671	4,3432	4,2163

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

Main consolidated balance sheet items converted into euro:

	30.09.2014		31.12.2013	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	738 252	176 806	721 154	173 889
Current assets	946 412	226 658	904 260	218 041
<b>Total assets</b>	<b>1 684 664</b>	<b>403 464</b>	<b>1 625 414</b>	<b>391 930</b>
Equity	654 901	156 844	623 372	150 312
Long-term liabilities	169 337	40 555	111 861	26 973
Short-term liabilities	860 426	206 065	890 181	214 646
<b>Total equity and liabilities</b>	<b>1 684 664</b>	<b>403 464</b>	<b>1 625 414</b>	<b>391 930</b>

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

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

	9 month period ended 30.09.2014		9 month period ended 30.09.2013	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	1 038 947	248 534	778 705	184 392
Cost of goods sold	(940 077)	(224 883)	(712 141)	(168 630)
Gross profit (loss) on sales	98 870	23 651	66 564	15 762
Operating profit (loss)	53 262	12 741	32 813	7 770
Gross profit (loss)	39 976	9 563	19 779	4 683
Net profit (loss) from continued operations	33 283	7 962	15 230	3 606
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	33 283	7 962	15 230	3 606

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

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

	9 month period ended 30.09.2014		9 month period ended 30.09.2013	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(1 382)	(331)	(166 034)	(39 316)
Cash flows from investment activities	(7 430)	(1 777)	(14 134)	(3 347)
Cash flows from financial activities	(20 430)	(4 887)	107 626	25 485
Total net cash flows	(29 242)	(6 995)	(72 542)	(17 178)

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

	30.09.2014		30.09.2013	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	83 599	20 158	121 143	29 632
Cash at end of period	54 357	13 018	48 601	11 527

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

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

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

## II. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED PROFIT AND LOSS STATEMENT

	1.01.2014 - 30.09.2014	1.07.2014 - 30.09.2014	1.01.2013 - 30.09.2013	1.07.2013 - 30.09.2013
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited, Modified*</i>	<i>Unaudited, Modified*</i>
<b>Continued operations</b>				
<b>Sales revenue</b>	<b>1 038 947</b>	<b>459 871</b>	<b>778 705</b>	<b>343 840</b>
<b>Cost of goods sold</b>	<b>(940 077)</b>	<b>(410 923)</b>	<b>(712 141)</b>	<b>(310 522)</b>
<b>Gross profit on sales</b>	<b>98 870</b>	<b>48 948</b>	<b>66 564</b>	<b>33 318</b>
Cost of sales, marketing and distribution	(3 925)	(715)	(5 389)	(1 978)
General and administrative costs	(42 047)	(16 111)	(38 296)	(12 569)
Other operating revenues	1 644	808	12 057	847
Other operating costs	(2 691)	(1 399)	(2 570)	(490)
Share of profit of entities consolidated using equity method	1 411	1 118	447	335
<b>Operating profit</b>	<b>53 262</b>	<b>32 649</b>	<b>32 813</b>	<b>19 463</b>
Financial revenues	1 760	625	3 170	1 108
Financial costs	(15 046)	(5 298)	(16 204)	(4 468)
<b>Gross profit</b>	<b>39 976</b>	<b>27 976</b>	<b>19 779</b>	<b>16 103</b>
Income tax	(6 693)	(3 826)	(4 549)	(1 060)
<b>Net profit from continued operation</b>	<b>33 283</b>	<b>24 150</b>	<b>15 230</b>	<b>15 043</b>
<b>Discontinued operations</b>				
Net profit (loss) from discontinued operations	-	-	-	-
<b>Net profit for the period</b>	<b>33 283</b>	<b>24 150</b>	<b>15 230</b>	<b>15 043</b>
<b>Attributable to:</b>				
Shareholders of parent entity	32 790	23 766	14 925	14 680
Non-controlling interests	493	384	305	363
<b>Profit per share attributable to shareholders in the period (PLN per share)</b>				
- basic	0,08	0,06	0,04	0,04
- diluted	0,08	0,06	0,04	0,04

\*) Details are presented in Note 13 to these condensed consolidated financial statements.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>1.01.2014 - 30.09.2014</b>	<b>1.07.2014 - 30.09.2014</b>	<b>1.01.2013 - 30.09.2013</b>	<b>1.07.2013 - 30.09.2013</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited, Modified*</i>	<i>Unaudited, Modified*</i>
<b>Net profit for the period</b>	<b>33 283</b>	<b>24 150</b>	<b>15 230</b>	<b>15 043</b>
<b>Other comprehensive income:</b>				
<b>Other comprehensive income that will not be reclassified into profit or loss under certain conditions:</b>				
Profit from revaluation referred into revaluation reserve	-	-	5 762	-
Actuarial gains/(losses)	(800)	(833)	(828)	(666)
<b>Other comprehensive income that will be reclassified to profit or loss:</b>	<b>(2 134)</b>	<b>(319)</b>	<b>6 538</b>	<b>(5 825)</b>
Foreign exchange differences on translation of foreign operations	1 540	793	6 957	(6 068)
Cash flow hedging instruments	(3 674)	(1 112)	(419)	243
<b>Total other comprehensive income</b>	<b>(2 934)</b>	<b>(1 152)</b>	<b>11 472</b>	<b>(6 491)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>30 349</b>	<b>22 998</b>	<b>26 702</b>	<b>8 552</b>
<b>Attributable to:</b>				
Shareholders of Parent entity	30 832	22 909	26 449	8 267
Non-controlling interests	(483)	89	253	285

\*) Details are presented in Note 13 to these condensed consolidated financial statements.

## CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.09.2014	31.12.2013	1.01.2013
		<i>Unaudited</i>	<i>Modified*</i>	<i>Modified*</i>
<b>Non-current assets</b>		<b>738 252</b>	<b>721 154</b>	<b>698 580</b>
Tangible non-current assets	26	181 279	180 115	185 711
Intangible assets	26	60 285	60 161	59 875
Goodwill from consolidation		376 320	375 217	372 918
Investment properties		30 643	30 324	17 800
Investments in entities accounted using equity method	27	10 054	8 644	6 775
Investments in other units		24	24	24
Other financial assets		38 311	25 665	26 742
Deferred tax assets	23	39 373	39 114	25 239
Prepayments		1 963	1 890	3 496
<b>Current assets</b>		<b>946 412</b>	<b>904 260</b>	<b>619 801</b>
Inventory		104 712	103 155	92 997
Trade and other receivables		678 528	630 431	240 686
Other financial assets		25 944	35 095	26 422
Cash and cash equivalents		75 090	83 599	121 143
Prepayments		5 572	8 487	6 749
Construction contracts		56 566	43 493	131 804
<b>Total assets</b>		<b>1 684 664</b>	<b>1 625 414</b>	<b>1 318 381</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to shareholders of parent entity</b>		<b>652 341</b>	<b>621 112</b>	<b>488 281</b>
Share capital		41 120	41 120	23 211
Basic conditional capital		-	-	18 545
Due payments for basic capital (negative value)		-	-	(18 545)
Share premium		310 102	310 102	231 813
Revaluation reserve		6 798	6 811	1 066
Other capital reserves		251 558	224 735	240 706
Retained earnings		32 790	29 908	(13 879)
Foreign exchange differences on translation of foreign operations		9 973	8 436	5 364
<b>Non-controlling interests</b>		<b>2 560</b>	<b>2 260</b>	<b>1 768</b>
<b>Total equity</b>		<b>654 901</b>	<b>623 372</b>	<b>490 049</b>
<b>Long-term liabilities</b>		<b>169 337</b>	<b>111 861</b>	<b>153 588</b>
Interest-bearing bank loans and borrowings		70 934	19 523	97 911
Bonds		50 112	49 926	12 913
Provisions	25	4 560	4 226	3 718
Liabilities due to employee benefits		11 955	10 318	9 552
Provision for deferred tax	23	27 214	27 298	29 494
Derivative financial instruments		4 562	570	-
<b>Short-term liabilities</b>		<b>860 426</b>	<b>890 181</b>	<b>674 744</b>
Interest-bearing bank loans and borrowings		122 688	167 125	37 131
Bonds		873	-	147 761
Trade and other liabilities		545 987	504 169	330 551
Provisions	25	11 152	18 923	9 711
Liabilities due to employee benefits		12 022	9 352	8 644
Income tax liabilities		1 417	4 527	2 636
Derivative financial instruments		189	-	59
Other financial liabilities		36 074	34 718	-
Accruals		1 641	68	94
Construction contracts		108 285	150 467	133 660
Advances received towards flats		20 098	832	4 497
<b>Total equity and liabilities</b>		<b>1 684 664</b>	<b>1 625 414</b>	<b>1 318 381</b>

\*) Details are presented in Note 13 to these condensed consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOW**

	Note	1.01.2014 - 30.09.2014	1.01.2013 - 30.09.2013
		Unaudited	Unaudited, Modified*
<b>Cash flows from operating activities</b>			
Gross profit from continued operations		39 976	19 779
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		(41 358)	(185 813)
Depreciation		17 832	16 824
FX differences		164	974
Net interest and dividends		9 704	15 839
Profit on investment activities		214	(9 876)
Share of profits of entities consolidated using equity method		(1 411)	(447)
Change in receivables		(56 533)	(316 835)
Change in inventory		(6 914)	(37 199)
Change in liabilities, excluding loans and borrowings		68 416	154 641
Change in prepayments and accruals		(498)	(545)
Change in provisions		(3 749)	(241)
Change in construction contracts		(58 029)	(2 284)
Change in financial derivatives		4 179	(9)
Income tax paid		(8 901)	(5 045)
Other		(6 079)	(2 384)
Foreign exchange differences on translation of foreign operations		247	774
<b>Net cash flows from operating activities</b>		<b>(1 382)</b>	<b>(166 034)</b>
<b>Cash flows from investment activities</b>			
Sale (purchase) of intangible assets and tangible non-current assets		(6 142)	(2 786)
- acquisition		(8 673)	(6 597)
- sale		2 531	3 811
Financial assets		(2 064)	(13 975)
- sold or repaid		29 636	6 277
- granted or acquired		(31 700)	(20 252)
Loans		(16)	2 000
- repaid		17	2 000
- repaid		(33)	-
Interest received		792	627
<b>Net cash flows from investment activities</b>		<b>(7 430)</b>	<b>(14 134)</b>
<b>Cash flows from financial activities</b>			
Proceeds from payment to capital of a subsidiary from holders of non-controlling interest		1 060	-
Redemption of bonds		-	(13 800)
Proceeds on account of taken borrowings and loans		109 038	220 854
Repayment of borrowings and loans		(115 751)	(84 703)
Interest paid		(8 980)	(9 102)
Payment of liabilities under financial lease agreements		(5 795)	(5 581)
Other		(2)	(42)
<b>Net cash flows from financial activities</b>		<b>(20 430)</b>	<b>107 626</b>
<b>Total net cash flows</b>		<b>(29 242)</b>	<b>(72 542)</b>
Net FX differences		-	-
<b>Cash at start of period</b>		<b>83 599</b>	<b>121 143</b>
<b>Cash at end of period</b>	30	<b>54 357</b>	<b>48 601</b>
- with limited access		974	940

\*) Details are presented in Note 13 to these condensed consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of Parent entity										Total	Non-controlling interests	Total equity
	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium	Revaluation reserve	Other capital reserve			Foreign exchange differences on translation of foreign operations	Retained earnings			
						Hedging instruments	Actuarial gains/(losses)	Results from previous years					
<i>Modified*</i>													
<b>As at 1.01.2014</b>	<b>41 120</b>	-	-	<b>310 102</b>	<b>8 158</b>	<b>(270)</b>	<b>(2 665)</b>	<b>229 922</b>	<b>8 349</b>	<b>37 706</b>	<b>632 422</b>	<b>2 407</b>	<b>634 829</b>
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 347)	-	-	(2 252)	87	(7 798)	(11 310)	(147)	(11 457)
<b>As at 1.01.2014 after adjustments</b>	<b>41 120</b>	-	-	<b>310 102</b>	<b>6 811</b>	<b>(270)</b>	<b>(2 665)</b>	<b>227 670</b>	<b>8 436</b>	<b>29 908</b>	<b>621 112</b>	<b>2 260</b>	<b>623 372</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	32 790	32 790	493	33 283
Other comprehensive income	-	-	-	-	-	(2 707)	(788)	-	1 537	-	(1 958)	(976)	(2 934)
Distribution of profit	-	-	-	-	-	-	-	29 908	-	(29 908)	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(293)	(293)
Payment to capital of a subsidiary from holders of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	1 063	1 063
Other changes	-	-	-	-	(13)	-	-	410	-	-	397	13	410
<b>As at 30.09.2014</b>	<b>41 120</b>	-	-	<b>310 102</b>	<b>6 798</b>	<b>(2 977)</b>	<b>(3 453)</b>	<b>257 988</b>	<b>9 973</b>	<b>32 790</b>	<b>652 341</b>	<b>2 560</b>	<b>654 901</b>
<i>Modified*</i>													
<b>As at 1.01.2013</b>	<b>23 211</b>	<b>18 545</b>	<b>(18 545)</b>	<b>231 813</b>	<b>2 396</b>	-	<b>(1 347)</b>	<b>242 372</b>	<b>5 334</b>	<b>(11 928)</b>	<b>491 851</b>	<b>1 792</b>	<b>493 643</b>
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 330)	-	-	(319)	30	(1 951)	(3 570)	(24)	(3 594)
<b>As at 1.01.2013 after adjustments</b>	<b>23 211</b>	<b>18 545</b>	<b>(18 545)</b>	<b>231 813</b>	<b>1 066</b>	-	<b>(1 347)</b>	<b>242 053</b>	<b>5 364</b>	<b>(13 879)</b>	<b>488 281</b>	<b>1 768</b>	<b>490 049</b>
Net profit for the period	-	-	-	-	-	-	-	-	-	14 925	14 925	305	15 230
Other comprehensive income	-	-	-	-	5 762	(308)	(828)	-	6 898	-	11 524	(52)	11 472
Losses cover	-	-	-	-	-	-	-	(13 879)	-	13 879	-	-	-
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	-	-	-	96 198	-	96 198
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	-	-	-	(297)	-	-	(297)	499	202
Other changes	-	-	-	-	-	-	-	87	-	-	87	-	87
<b>As at 30.09.2013</b>	<b>41 120</b>	-	-	<b>310 102</b>	<b>6 828</b>	<b>(308)</b>	<b>(2 175)</b>	<b>227 964</b>	<b>12 262</b>	<b>14 925</b>	<b>610 718</b>	<b>2 520</b>	<b>613 238</b>

Equity attributable to shareholders of Parent entity													
	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium	Revaluation reserve	Other capital reserve			Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
						Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
Przekształcone*													
As at 1.01.2013	23 211	18 545	(18 545)	231 813	2 396	-	(1 347)	242 372	5 334	(11 928)	491 851	1 792	493 643
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 330)	-	-	(319)	30	(1 951)	(3 570)	(24)	(3 594)
As at 1.01.2013 after adjustments	23 211	18 545	(18 545)	231 813	1 066	-	(1 347)	242 053	5 364	(13 879)	488 281	1 768	490 049
Net profit for the period	-	-	-	-	-	-	-	-	-	29 908	29 908	87	29 995
Other comprehensive income	-	-	-	-	5 762	(270)	(1 318)	-	3 072	-	7 246	(94)	7 152
Losses cover	-	-	-	-	-	-	-	(13 879)	-	13 879	-	-	-
Share issue	17 909	(18 545)	18 545	78 289	-	-	-	-	-	-	96 198	-	96 198
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	-	-	-	(297)	-	-	(297)	499	202
Other changes	-	-	-	-	(17)	-	-	(207)	-	-	(224)	-	(224)
As at 31.12.2013	41 120	-	-	310 102	6 811	(270)	(2 665)	227 670	8 436	29 908	621 112	2 260	623 372

\*) Details are presented in Note 13 to these condensed consolidated financial statements.

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

#### 1. General information

These condensed consolidated financial statements of the Group cover the 9-month period ended on September 30, 2014.

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

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

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

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

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

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

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

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

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

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

- work on foundations and networks;
- installation of overhead contact substations and section cabins;
- installation of high and low voltage aerial and cable lines;

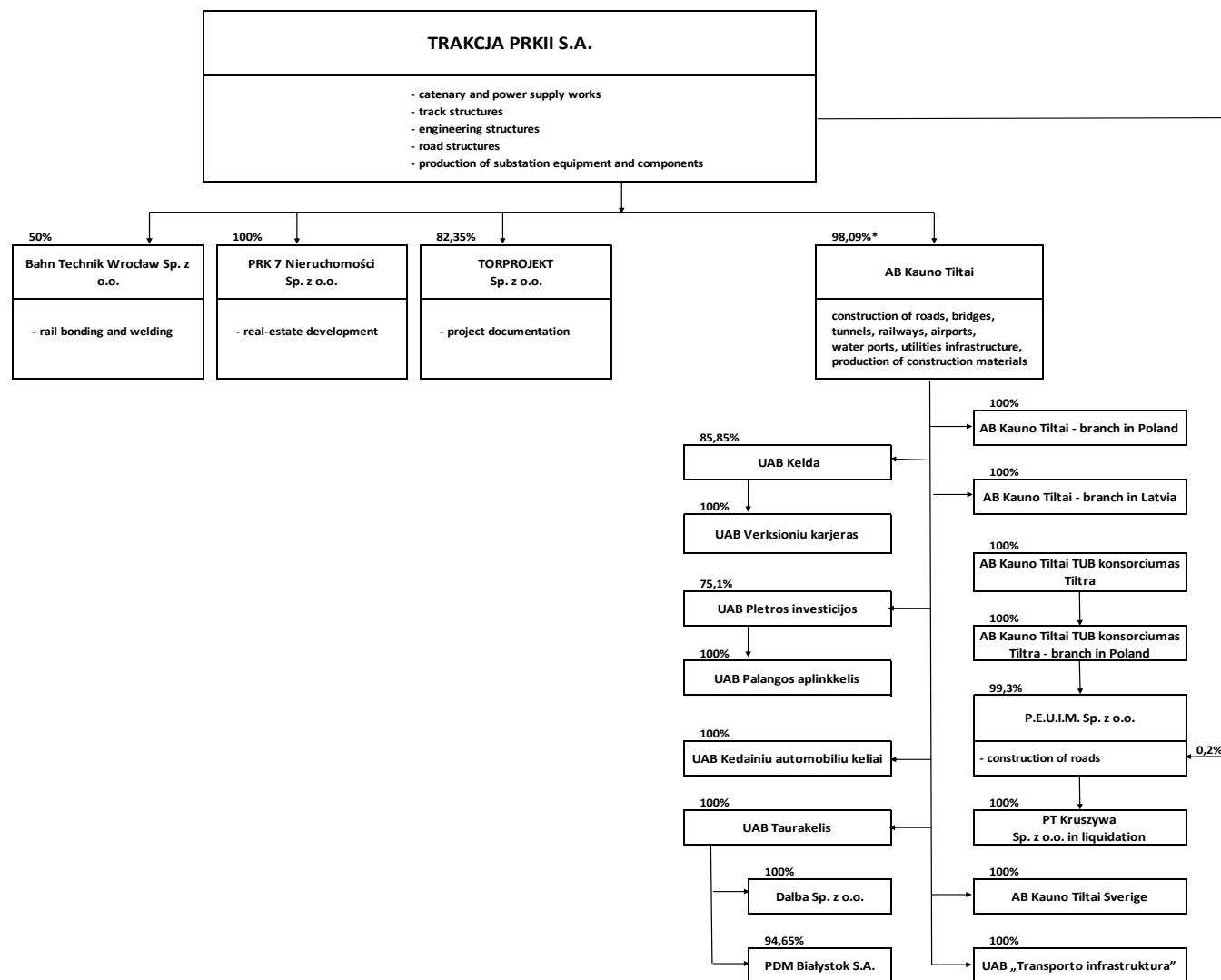
- installation of power supply and local control cables;
- production of high, medium and low voltage switching stations, overhead contact system accessories and local control devices;
- specialized equipment services (excavators, rail and car cranes, drill setters, piling rigs);
- construction of bridges, viaducts, overpasses, culverts, tunnels, subways, roads and associated infrastructure of rail and road.

## 2. Group structure

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

The AB Kauno Group's subsidiaries (apart from PT Kruszywa Sp. z o.o. in liquidation) and the following subsidiaries: PRK 7 Nieruchomości Sp. z o.o. and Torprojekt Sp. z o.o. are consolidated using full consolidation method. The company Bahn Technik Wrocław Sp. z o.o. is consolidated using equity method. As at December 31, 2013 and September 30, 2014 the company PT Kruszywa Sp. z o.o. in liquidation was not consolidated by the Group.

The Group's structure is presented below:



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



### 3. Description of changes in the composition of the Group together with indication of their consequences

In the III quarter 2014 there was a change in the Group's structure.

On July 23, 2014, the new subsidiary of AB Kauno Tiltai was created - Sverige AB Kauno Tiltai. The company is based in Sweden. The reporting currency is the Swedish Krona.

On August 8, 2014, the new subsidiary of AB Kauno Tiltai was created - UAB "Transporto infrastruktūra". The company is based in Lithuania. The reporting currency is the Lithuanian Litas.

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

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

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

Pursuant to the resolutions of the Supervisory Board No. 15-19 of May 15, 2014 the above mentioned persons were appointed to the new, common, three-year term of office. In the period from January 1, 2014 to September 30, 2014 there were no changes in the composition of the Management Board of the Parent.

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

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

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

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

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

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

### 6. Shareholding structure of the Parent company

According to knowledge of the Management Board of the Parent company, the following shareholders held, directly or through subsidiaries, at least 5 % of the total number of votes at the General Meeting of Shareholders of the publishing date of the statement:

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

The data referring to the holdings of shares given in the above table indicates the number of shares on the securities account, without including changes, which shall occur in connection with the completion of the share consolidation process of the Company. The Company explains that currently the share consolidation process initiated by adopting relevant resolutions by the Extraordinary Meeting of Shareholders on 16 October 2014, which constitute Appendix no. 1 to current report no. 26/2014 of 16 October 2014 is ongoing. In compliance with the resolutions passed by the Extraordinary Meeting of Shareholders on consolidating shares and amending the Articles of Associations, the share capital of the Company shall be PLN 41,119,638.40 and shall be divided into 51,399,548 ordinary bearer A series shares of nominal value PLN 0.80 each. According to the information acquired by the Company on 4 November 2014, the District Court for the city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register registered the amendments to the Articles of Association, including changes in the structure of the share capital in line with the above-mentioned resolutions of the Extraordinary Meeting of Shareholders of the Company. With the above in mind, we hereby inform that after completing the consolidation of the shares of the Company in the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.), the holding of shares recorded on the securities accounts was also changed.

The shareholders held have not changed, directly or through subsidiaries, at least 5 % of the total number of votes at the General Meeting of Shareholders from the previous periodic report.

After the balance sheet date but before the publishing of the condensed consolidated financial statements there were no changes in the shareholders held.

## 7. Number of shares in the Parent company held by persons managing and supervising the Company

From the previous periodic report there were no changes in the shares of the Parent company held by persons managing and supervising the Company.

As of the day of publishing this statement, the shares in Trakcja PRKił S.A. held by its managing and supervising persons were as follows:

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

The data referring to the holdings of shares given in the above table indicates the number of shares on the securities account, without including changes, which shall occur in connection with the completion of the share consolidation process of the Company. The complete explanation has been described in note 6. With the above in mind, we hereby inform that after completing the consolidation of the shares of the Company in the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.), the holding of shares recorded on the securities accounts was also changed.

The members of the Management Board or the Supervisory Board do not hold shares in any entities within the Capital Group.

## 8. Approval of the financial statements

These condensed consolidated financial statements have been approved by the Management Board of the Parent company for publication on November 6, 2014.

## 9. Significant values based on professional judgement and estimates

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

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

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

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

### 9.1. Professional judgement

#### *Fair value of financial instruments*

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

#### *Classification of leasing agreements*

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

#### *Investment properties*

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

#### *Allocation of the goodwill to the cash generating units*

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

#### *Recognition and loss of control over subsidiaries*

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

#### *Classification of joint arrangements*

The Group determines whether it has joint control and determine the type of joint contractual arrangement in which it is involved by assessing its rights and obligations arising from the joint agreement, the structure and legal form of

the joint arrangement and agreed upon by the parties conditions of the agreement. Groups classified the investment in the company Bahn Technik Wrocław Sp. z o.o. as a joint venture in accordance with IFRS 11.

## **9.2. Uncertainty of estimates**

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

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

### *Provisions for correction works*

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

### *Provisions for contractual penalties*

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

### *Component of deferred tax assets*

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

### *Revenues recognition*

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

### *Depreciation rates*

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

### *Impairment of financial assets*

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

### *Investment properties*

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

### *Impairment tests*

Pursuant to IAS 36, the Management Board of the Dominant Entity as at the balance sheet date performs annual impairment tests for cash generating units, to which the goodwill was assigned. As at September 30, 2014 there were no identifications of impairment of cash generating units that is why the Group did not conducted impairment test at that date.

### *Impairment of inventory*

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

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

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

## **10. Basis for preparation of the condensed consolidated financial statements**

The condensed consolidated financial statements have been prepared according to historical cost principle, except for the derivative financial instruments and financial assets available for sale, which are estimated according to fair value. The balance sheet value of the recognized collaterals of assets and liabilities is adjusted according to the changes in fair value, which may be attributed to risk, against which the assets and liabilities are secured.

The condensed consolidated financial statements are disclosed in Zloty ("PLN", "zł"), and all values, if not presented otherwise, are given in thousand Zloty.

Some financial data recognized in this financial statement have been rounded. Therefore, some tables presented in the statement show the sum of amounts in a given column or row that slightly differ from the total amount given for such column or row.

Th AB Kauno Group's subsidiaries (apart from PT Kruszywa Sp. z o.o. in liquidation) and the following subsidiaries: PRK 7 Nieruchomości Sp. z o.o. and Torprojekt Sp. z o.o. are consolidated using full consolidation method. The company Bahn Technik Wrocław Sp. z o.o. is consolidated using equity method. As at Decemeber 31, 2013 and September 30, 2014 the company PT Kruszywa Sp. z o.o. in liquidation was not consolidated by the Group.

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

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

## 11. Declaration of conformity

The condensed consolidated financial statement was prepared according to the International Financial Reporting Standard ("IFRS") approved by the European Union. At the day of approving this financial statement, within the scope of accountancy principles applied by the Group, there are no significant differences between IFRS standards and the IFRS standards approved by the European Union. The standards that did not come into force on September 30, 2014 and were not approved by the European Union at the day of preparing this consolidated financial statement are presented in note No. 12.

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

### *Currency of measure and currency of financial statements*

The currency of measure of the Parent company and the majority of the Group's companies as well as the presentation currency in this condensed consolidation financial statement for the period 9 months ended September 30, 2014 is Polish Zloty. The currency of measure of companies with their registered office in Lithuania is Litas (LTL). The currency of measure of companies with their registered office in Sweden is Swedish Krona (SEK).

## 12. Significant accountancy principles

The accountancy principles (policy) applied to prepare this condensed consolidated financial statement for the period 9 months ended September 30, 2014 are coherent with those which were applied while preparing the annual consolidated financial statements for 2013, with the exclusion of the changes specified below. The same principles were applied in the current and comparable period, unless the standard or interpretation assumed only prospective application.

### **Standards and interpretations that did not come into force at the balance sheet date**

In this condensed consolidated financial statements, the Group did not take the decision on application of published standards and interpretations before the date of their entry into force.

The following standards and interpretations were issued by the International Accountancy Standard Board and the International Financial Reporting Interpretations Committee and did not come into force at the balance sheet date:

- *IFRS 9 Financial Instruments*

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

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

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

- *IFRS 15 Revenue from contracts with customers*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *IFRS 14 Regulatory Deferral Accounts*

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

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

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

- *IFRIC Interpretation 21 Levies*

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

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

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

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

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

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

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

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

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

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

Amendments to IFRS 16 and 41 were published on June 30, 2014 and are effective for annual periods beginning on or after January 1, 2016 or later. This change indicates that the manufacturing plants should be recognized in the same

way as tangible assets in IAS 16. Accordingly, the production plant shall be seen through the prism of IAS 16 instead of IAS 41. Agricultural products produced by the plant production continues to fall under the scope IAS 41.

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

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

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

- IFRS 9 *Financial instruments* published on November 12, 2009 (as amended);
- Change to IAS 19 *Defined Benefit Plans – Employee Contributions* published on November 21, 2013;
- IFRS 14 *Regulatory Deferral Accounts* published on January 30, 2014;
- IFRS 15 *Revenue from contracts with customers* published on May 28, 2014,
- Changes in various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2010-2012) published on December 12, 2013;
- Changes in various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2011-2013) published on December 12, 2012;
- Amendments to IFRS 11 *Accounting for the acquisition of shares in joint actions* published on May 6, 2014,
- Amendments to IAS 16 and IAS 38 *Explanations in terms of the accepted methods of accounting for depreciation and amortization* published on May 12, 2014,
- Amendments to IAS 16 and IAS 41 *Agriculture: Production Plants* published on June 30, 2014,
- IFRIC Interpretation 21 *Levies* published on May 20, 2014.

### 13. Effect of application of new accounting standards and changes of accounting policy

#### ▪ Changes resulting from IFRS changes

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

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

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



Main consequences of application of new regulations:

- **IFRS 10 Consolidated Financial Statements**

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

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

- **IFRS 11 Joint Arrangements**

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

Application of the new standard resulted in the following change:

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

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

As a result of the change in consolidation method the values earlier included line by line in the balance sheet and statement of comprehensive income have been currently presented under the headings of: investments in entities accounted using equity method and share of profit of entities consolidated using equity method. Key figures as at December 31, 2013 and January 1, 2013 are presented in Note 26. Application of this new standard had no impact on the Group's consolidated net income and the value of equity presented in the consolidated balance sheet.

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

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

- **IFRS 12 Disclosure of Interest in Other Entities**

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

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

- **IAS 27 Separate Financial Statements**

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

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

- **IAS 28 Investments in associates and joint ventures**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes were published on 27 June 2013 and apply to annual periods starting from 01 January 2014 or later. Changes allow continuous application of hedge accounting (on certain conditions), if a derivative, which is the hedging instrument, is renewed due to legal regulations, and the amendment results in a change of the clearing institution. Changes in IAS 39 are an effect of legal changes in many countries, which resulted in obligatory clearing of existing OTC derivatives and their renewal based on an agreement with the central clearing institution.

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

- **Changes introduced independently by the Group**

The Group made an adjustment to the financial statements in the III quarter of 2014.

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

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

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

Change has negative impact on the Group's net profit for the period of 9 months ended September 30, 2013 in the amount of PLN 7,265 thousand. As a result of this change, the Group's revenues from sale for the 3 quarters of 2014 decreased by PLN 327,291 thousand and cost of goods sold decreased by PLN 325,246 thousand. In the comparable period the revenues from sale decreased by PLN 300,234 thousand while cost of goods sold decreased by PLN 291,640 thousand.

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

- Trade receivables in the amount of PLN 162,326 thousand;
- Trade payables in the amount of PLN 163,968 thousand.

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

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

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

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

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

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

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

Change has an impact on the Group's net profit for the 3 quarters of 2013, amounting to (negative) PLN 167 thousand and the Group's equity value presented in the balance sheet as at December 31, 2013 in the negative amount of PLN 1,871 thousand, and as at January 1, 2013 in the negative amount of PLN 1,649 thousand. The above mentioned changes in the statement of financial position as at December 31, 2013 and as at January 1, 2013 are presented in the tables on the following pages.

#### **Employee benefits costs' presentation change**

The Group changed the presentation of costs of employee benefits, which have so far been presented in other operating activity. After change the Group presents these costs in cost of sales, marketing and distribution and general and administrative expenses. Management believes that such presentation will reflect more accurate picture of the financial result of the Group. In accordance with IAS comparable data were changed.

#### **Adjustments related to the merger of Trakcja SA with PRKiL SA**

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

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

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

- standalone profit and loss account of the Trakcja PRKiL S.A. for the period from January 1, 2013 to September 30, 2013: revenues and costs of both companies were summed up, the intercompany transactions were eliminated, the adjustments for common margins on contracts were applied (impact on gross profit of PLN 401 thousand, net profit in the amount of: PLN 325 thousand);

- consolidated profit and loss account of the Group Trakcja for the period from 1 January 2013 to 30 September 2013: the adjustments for common margins on contracts were applied (impact on gross profit of PLN 401 thousand, net profit in the amount of: PLN 325 thousand);

The impact of the merger on the individual and consolidated balance sheet as at December 31, 2013 and January 1, 2013 is presented in Additional information and explanations to the annual financial statements for 2013 in Note 8 and the Additional information and explanations to the consolidated annual financial statements for the year 2013 in note 10.

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

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

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

	<b>31.12.2013 Published data</b>	<b>Change of BTW consolidation method</b>	<b>Off the balance sheet recognition of perpetual usefruct of land</b>	<b>Perpetual usefruct of land depreciation</b>	<b>Adjustment of contracts after eliminating the revenue attributable to consortium members</b>	<b>31.12.2013 Modified data</b>
Non-current assets	719 824	3 575	(1 567)	(678)	-	721 154
Current assets	923 314	(7 666)	-	-	(11 388)	904 260
Total equity	634 829	-	(1 269)	(602)	(9 586)	623 372
Long-term liabilities	114 294	(257)	(298)	(76)	(1 802)	111 861
Short-term liabilities	894 015	(3 834)	-	-	-	890 181

	<b>1.01.2013 Published data</b>	<b>Change of BTW consolidation method</b>	<b>Off the balance sheet recognition of perpetual usefruct of land</b>	<b>Perpetual usefruct of land depreciation</b>	<b>Adjustment of contracts after eliminating the revenue attributable to consortium members</b>	<b>1.01.2013 Modified data</b>
Non-current assets	699 000	1 591	(1 567)	(444)	-	698 580
Current assets	628 202	(6 074)	-	-	(2 327)	619 801
Total equity	493 643	-	(1 269)	(380)	(1 945)	490 049
Long-term liabilities	154 515	(183)	(298)	(64)	(382)	153 588
Short-term liabilities	679 044	(4 300)	-	-	-	674 744

The following is a summary of the cumulative effect of the changes described above for the consolidated profit and loss account of the Trakcja Group for the 9 months ended September 30, 2013 and the standalone profit and loss account of Trakcja PRKil S.A. for 3 quarters of 2013.

CONSOLIDATED PROFIT AND LOSS ACCOUNT	1.01.2013 - 30.09.2013 Published data	Change of BTW consolidation method	Adjustment due to the merger of Trakcja S.A. with PRKił S.A.	Employee benefits costs presentation change	Perpetual usufruct of land depreciation	1.01.2013 - 30.09.2013 Modified data
	<i>Unaudited</i>					<i>Unaudited, Modified</i>
Sales revenues	1 087 183	(308 077)	(401)	-	-	778 705
Cost of goods sold	(1 008 640)	298 237	-	(1 738)	-	(712 141)
<b>Gross profit (loss) on sales</b>	<b>78 543</b>	<b>(9 840)</b>	<b>(401)</b>	<b>(1 738)</b>	-	<b>66 564</b>
Cost of sales, marketing and distribution	(5 059)	100	-	(430)	-	(5 389)
General and administrative costs	(35 062)	467	-	(3 584)	(117)	(38 296)
Net result from other operating activity	2 230	(40)	-	7 297	-	9 487
Share of profit of entities consolidated using equity method	-	447	-	-	-	447
<b>Operating profit (loss)</b>	<b>40 652</b>	<b>(8 866)</b>	<b>(401)</b>	<b>1 545</b>	<b>(117)</b>	<b>32 813</b>
Net result from other financial activity	(12 599)	85	-	(521)	-	(13 035)
<b>Gross profit (loss)</b>	<b>28 054</b>	<b>(8 781)</b>	<b>(401)</b>	<b>200</b>	<b>(117)</b>	<b>19 779</b>
Income tax	(5 895)	1 322	57	(38)	5	(4 549)
<b>Net profit</b>	<b>22 159</b>	-	<b>(240)</b>	<b>162</b>	<b>(112)</b>	<b>15 230</b>

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME	1.01.2013 - 30.09.2013 Published data	Change of BTW consolidation method	Adjustment due to the merger of Trakcja S.A. with PRKił S.A.	Employee benefits costs presentation change	Perpetual usufruct of land depreciation	1.01.2013 - 30.09.2013 Modified data
	<i>Unaudited</i>					<i>Unaudited, Modified</i>
Net profit (loss) for the period	22 159	-	(240)	162	(112)	15 230
Total other comprehensive income	12 300	-	-	(162)	-	11 472
<b>TOTAL INCOME FOR THE PERIOD</b>	<b>34 459</b>	-	<b>(240)</b>	-	<b>(112)</b>	<b>26 702</b>

PROFIT AND LOSS ACCOUNT	1.01.2013 - 30.09.2013 Published data	PRKiI S.A.	Eliminations	Joint contracts margin adjustment	Employee benefits costs presentation change	Perpetual usefruct of land depreciation	1.01.2013 - 30.09.2013 Modified data
	<i>Unaudited</i>						<i>Unaudited, Modified</i>
Sales revenues	325 754	306 059	(181 722)	(401)	-	-	449 690
Cost of goods sold	(316 772)	(293 316)	180 725	-	1 549	-	(427 814)
<b>Gross profit (loss) on sales</b>	<b>8 982</b>	<b>12 743</b>	<b>(997)</b>	<b>(401)</b>	<b>1 549</b>	-	<b>21 876</b>
Cost of sales, marketing and distribution	(739)	(1 197)	(1)	-	29	-	(1 908)
General and administrative costs	(15 991)	(5 139)	(45)	-	(647)	(88)	(21 910)
Net result from other operating activity	14 682	(40)	(5)	-	614	-	15 251
<b>Operating profit (loss)</b>	<b>6 934</b>	<b>6 367</b>	<b>(1 048)</b>	<b>(401)</b>	<b>1 545</b>	<b>(88)</b>	<b>13 309</b>
Net result from other financial activity	(5 639)	(2 036)	(2)	-	(521)	-	(8 198)
<b>Gross profit (loss)</b>	<b>1 295</b>	<b>4 331</b>	<b>(254)</b>	<b>(401)</b>	<b>200</b>	<b>(88)</b>	<b>5 111</b>
Income tax	398	(922)	53	57	(38)	8	(444)
<b>Net profit</b>	<b>1 693</b>	<b>3 409</b>	<b>(201)</b>	<b>(240)</b>	<b>162</b>	<b>(80)</b>	<b>4 667</b>
STATEMENT OF TOTAL COMPREHENSIVE INCOME	1.01.2013 - 30.09.2013 Published data	PRKiI S.A.	Eliminations	Joint contracts margin adjustment	Employee benefits costs presentation change	Perpetual usefruct of land depreciation	1.01.2013 - 30.09.2013 Modified data
	<i>Unaudited</i>						<i>Unaudited, Modified</i>
Net profit (loss) for the period	1 693	3 409	(201)	(240)	162	(80)	4 667
Total other comprehensive income	7 041	-	-	-	(828)	-	6 213
<b>TOTAL INCOME FOR THE PERIOD</b>	<b>8 734</b>	<b>3 409</b>	<b>(201)</b>	<b>(240)</b>	<b>(666)</b>	<b>(80)</b>	<b>10 880</b>

Additional information and explanations to the condensed consolidated financial statement

#### **14. Description of factors and events having material impact on financial results of Trakcja Group for the III quarter of 2014**

Within the of III quarter of 2014, Trakcja Group recorded PLN 459,871 thousand revenue on sale, which increased by 33.7 per cent when compared to the analogous period in 2013. The cost of goods sold increased by 32.3 per cent and amounted to PLN 410,923 thousand.

The gross profit on sales was PLN 48,948 thousand and the result increased by PLN 15,630 thousand when compared to the analogous period in the previous year. The gross profit margin on sales was 10.6 per cent in the III quarter of 2014 and 9.7 per cent in the analogous period in 2013.

The overheads were PLN 16,111 thousand and increased by 28.2 per cent, i.e. by PLN 3,542 thousand when compared to the analogous period in 2013. The costs of sale, marketing and distribution amounted to PLN 715 thousand and decreased by PLN 1,263 thousand. The balance of other operating activity was at negative level of PLN 591 thousand and decreased by PLN 948 thousand compared to analogous period in 2013. The Group recorded a gain on operating activities for a 9-month period in 2014 amounting to PLN 32,649 thousand. The gain on operating activities increased by PLN 13,186 thousand when compared to the result for the III quarter of 2013, when the loss was PLN 19,463 thousand.

In the III quarter of 2014 the balance from financial activities reached negative value of PLN 4,673 thousand which presents a deterioration of PLN 1,313 thousand when compared to the balance in the III quarter of the previous year.

In the period from July 1, 2014 to September 30, 2014, the Group recorded a gross profit of PLN 27,976 thousand. The gross profit for the III quarter of 2014 increased by PLN 11,873 thousand when compared to the III quarter of 2013, when the profit was PLN 16,103 thousand. The income tax for the III quarter 2014 had a negative impact on the result in the amount of PLN 3,826 thousand and increased by PLN 2,766 thousand in comparison to the analogous period. The net result of the Group for the period from July 1, 2014 to September 30, 2014 was positive with the value of PLN 24,150 thousand. The net profit increased when compared to the profit for the III quarter of 2013 by PLN 9,107 thousand.

The Group's balance sheet total as at the end of the III quarter of 2014 was PLN 1,684,664 thousand and was higher by 3.6 per cent when compared to balance sheet total as for December 31, 2013.

The non-current assets increased by PLN 17,098 thousand (i.e. by 2.4 per cent when compared to the non-current assets as for December 31, 2013) and reached PLN 738,252 thousand whereas current assets increased by PLN 42,152 thousand (i.e. by 4.7 per cent when compared to the amounts as for December 31, 2013) and reached PLN 946,412 thousand when compared to the balance as for December 31, 2013.

The increase in current assets was mostly due to increase in trade and other receivables by PLN 48,097 thousand, i.e. 7.6 per cent. As for September 30, 2014 trade and other receivables amounted to PLN 678,528 thousand. Additionally, the cash and cash equivalents decreased by PLN 8,509 thousand, i.e. 10.2 per cent when compared to balance as for December 31, 2013.

The equity of the Capital Group increased as for September 30, 2014 by PLN 31,529 thousand in comparison to the balance as for December 31, 2013. The increase is mainly caused by the net profit for the 9 months of 2014.

As for September 30, 2014, the non-current liabilities reached the value of PLN 169,337 thousand and increased by PLN 57,476 thousand, i.e. by 51.4 per cent in comparison to the balance as for December 31, 2013. The greatest increase was noticed in terms of long-term interest-bearing loans and that increased due reclassifying the loans and credits from short-term part.

The current liabilities reached the value of PLN 860,426 thousand and decreased by 3.3 per cent, i.e. by PLN 29,755 thousand in comparison to the balance as for December 31, 2013. Trade payables and other liabilities amounted to PLN 545,987 thousand and increased by PLN 41,818 thousand. The interest-bearing loans and credits decreased by PLN 44,437 thousand and amounted to PLN 122,688 thousand as for September 30, 2014.

#### **15. Cyclical and seasonal character of activity**

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

## 16. Information concerning issue, redemption and repayment of debt and equity securities

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

After the balance sheet date, Trakcja PRKiI S.A., the Parent company commenced the consolidation of its shares. At the Meeting of Shareholders held on October 16, 2014, the shareholders adopted a resolution by virtue of which the consolidation process of all issued shares of Trakcja PRKiI S.A. by a ratio of 8:1 shall take place. It means that the nominal value of shares of all series shall be increased from PLN 0,10 to PLN 0,80. All the existing ordinary bearer A, C, D, E, F, G and H series shares of the Company shall be issued as new A series. The consolidation process shall be completed with the pro rata decrease in the total number of shares from 411,196,384 to 51,399,548, i.e. by merging every 8 shares of the current nominal value of PLN 0,10 into one share of the Company of the new nominal value of PLN 0,80. The entire process shall not affect the equity of Trakcja PRKiI S.A., which shall remain at the current level, i.e PLN 41,119,638.40.

If during the execution of the process, some shortages occur, the shareholder in consideration for the shares that constitute the shortages shall obtain one share of the new nominal value for each shareholder's right held by each brokerage house. The shortages occur in the event when the number of shares held by the shareholder in compliance with the accepted exchange ratio does not correspond to one share of the new nominal value after consolidation.

On November 4, 2014, the Company learnt that the District Court for the city of Warsaw, 12th Division of the National Court Registry registered the amendments to the Articles of Association of the company as resulting from the text of the resolutions of the Extraordinary Meeting of Shareholders that took place on October 16, 2014. Additionally, the changes in the National Court Registry of the company regarding the equity of the Company and issue of shares (equity structure of the Issuer) were also registered.

As a result of registration of the Company's Articles of Association changes the equity of the Company is PLN 41,119,638.40 and is divided into 51,399,548 ordinary bearer a series shares of the nominal value of PLN 0,80 each. The total number of votes concerning all issued shares equals to 51,399,548.

Share series	No. of shares before resplit (Par value 0.1 PLN)	No. of shares after resplit (Par value 0.8 PLN)
Series A ordinary shares	1 599 480	51 399 548
Series C ordinary shares	83 180 870	-
Series D ordinary shares	19 516 280	-
Series E ordinary shares	25 808 850	-
Series F ordinary shares	30 000 000	-
Series G ordinary shares	72 000 000	-
Series H ordinary shares	179 090 904	-
<b>Total</b>	<b>411 196 384</b>	<b>51 399 548</b>

## 17. Amounts with a significant impact on assets, liabilities, equity, net profit/loss or cash flows which are non-typical due to their nature, value, effect or frequency

In the III quarter of 2014, there were no events with a significant impact on assets, liabilities, equity, net profit/loss or cash flows that are not non-typical due to their nature, value, effect or frequency.

## 18. Description of factors that will influence the results attained by the Group in the perspective of at least one subsequent quarter

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

- The ability to win new construction contracts, which on account of the profile of the Group's activities is determined by the level of expenditures on rail and tram infrastructure in Poland.
- The accuracy of estimating the costs of implemented projects as it exerts direct impact on decisions regarding the strategy of participating in tenders, the valuation of contracts for tenders and as a result the margins generated on the contracts. The accuracy of estimating cost budgets for contracts is related, in turn, to the methodological and external factors, such as changes in prices of materials and services rendered by subcontractors.



- The Group's financial results are exposed to the fluctuations of foreign currency exchange rates, and in particular to the fluctuations of the Polish zloty against the litas. Due to the conversion of the individual items from the profit and loss statement of Lithuanian companies on the basis of an average rate for the period covered by the consolidation, the consolidated financial results are subject to fluctuations in the exchange rates of the Polish zloty against the Lithuanian litas.
- The Central Bank's monetary policy reflected in the changes in interest rates. For the purpose of financing planned acquisitions, the Group may apply for bank loans and therefore it may incur financial expenses determined by the level of interest rates.
- The timeliness in repayment of liabilities by customers. A failure to do so by customers may lead to the deterioration in financial liquidity.

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

- The procedure for awarding public procurements, in particular, the amendment to the Act on the Public Procurement Law,
- The public-private partnership, in particular, the Act on Public-Private Partnership (Journal of Laws of 19 December 2008),
- The financing of railway and road infrastructure,
- The environmental protection in the scope of implementation of individual projects, in particular, the Act on the Environmental Protection Law,
- The property development activities of PRK 7 Nieruchomości Sp. z o.o., the regulations governing buying and selling real properties, in particular the Civil Code, Act on the Real Estate Management of 21 August 1997 (Journal of Laws, 04.261.263), Act on the Acquisition of Real Estate by Foreigners of 24 March 1920 (Journal of Laws, 04.167.1758), Act on the Ownership of Premises of 24 June 1994 (Journal of Laws, 00.80.903), the Act of 16 September 2011 on the protection of the rights of the purchaser of a dwelling or a detached house and provisions related zoning and building.

## 19. Risk factors

The factors that may significantly deteriorate the financial standing of the Group include the following:

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

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

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

## 20. The position of the Management Board with regard to the published forecasts

The Management Board of Trakcja PRKi S.A. did not publish any financial forecasts for 2014.

## 21. Concise description of significant achievements or failures during the III quarter 2014

There were no other significant achievements and failures than those described in these condensed consolidated financial statements.

## 22. Material information for the assessment of the personnel assets, financial standing and the financial results of the Group and their changes and for the assessments of the Parent's ability to fulfill its obligations

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

## 23. Deferred tax

	Consolidated Balance Sheet as at		Consolidated statement of total comprehensive income for the period of 9 months ended 30.09.2014
	30.09.2014	31.12.2013	
	<i>Unaudited</i>	<i>Modified</i>	
Deferred tax assets	39 373	39 114	259
Deferred tax liabilities	27 214	27 298	84
<b>Change of deferred tax assets and liabilities</b>			<b>343</b>
Recognized:			
- in net profit			(751)
- in equity			1 053
- variances due to currency translation			41

## 24. Change of the write downs and impairments

	Tangible assets	Intangible assets	Inventory	Receivables	Total
<b>As at 1.01.2014</b>	<b>788</b>	<b>-</b>	<b>1 218</b>	<b>29 302</b>	<b>31 308</b>
<i>Modified</i>					
Recognized	-	-	793	1 931	2 724
Variances due to currency translation	-	-	3	40	43
Used	-	-	-	(11 804)	(11 804)
Reversed	-	-	-	(5 658)	(5 658)
<b>As at 30.09.2014</b>	<b>788</b>	<b>-</b>	<b>2 014</b>	<b>13 811</b>	<b>16 613</b>

## 25. Provisions

	Provisions
<b>As at 1.01.2014</b>	<b>23 149</b>
<i>Modified</i>	
Recognized	5 993
Variations due to currency translation	46
Used	(7 599)
Reversed	(5 877)
<b>As at 30.09.2014</b>	<b>15 712</b>
<i>Unaudited</i>	
including	
- long-term	4 560
- short-term	11 152

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

In the period from January 1 to September 30, 2014, the Group acquired tangible non-current assets and intangible assets in the total amount of PLN 18,002 thousand (in the comparable period of 2013: PLN 6,841 thousand).

In the period from January 1 to September 30, 2014, the Group sold its tangible non-current assets and intangible assets in the total book value of PLN 2,200 thousand (in the comparable period of 2013: PLN 2,872 thousand).

## 27. Joint ventures

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

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

	30.09.2014	31.12.2013	1.01.2013
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Current assets	16 801	16 791	13 280
including: Cash and cash equivalents	360	835	101
Non-current assets	19 369	10 137	10 368
Long-term liabilities	15 274	9 126	9 732
including: Interest-bearing bank loans and borrowings	4 262	684	2 483
Short-term liabilities	787	514	366
including: Deferred tax liabilities	715	514	366
<b>Equity</b>	<b>20 109</b>	<b>17 287</b>	<b>13 550</b>
Proportion of the Group's ownership	50%	50%	50%
<b>Carrying amount of the investment</b>	<b>10 054</b>	<b>8 644</b>	<b>6 775</b>

	1.01.2014 - 30.09.2014	1.01.2013 - 30.09.2013
	<i>Unaudited</i>	<i>Unaudited, Modified</i>
Sales revenue	30 031	17 868
Cost of goods sold	26 140	16 548
including: Depreciation	1 606	992
Financial income	5	1
including: Interest income	5	1
Financial costs	380	174
including: Interest cost	99	46
Income tax	694	254
<b>Net result from continued operations</b>	<b>2 821</b>	<b>894</b>
Net result from discontinued operations	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>2 821</b>	<b>894</b>
Group's share of profit for the period from continued operations (50%)	1 411	447
Group's share of total comprehensive income for the period from continued operations (50%)	1 411	447

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

- promissory notes in the amount of PLN 2,500 thousand (31.12.2013: 2,500 thousand);
- cession of insurance policies in the total amount of PLN 3,297 thousand (31.12.2013: 3,297 thousand);
- guarantees amounting to PLN 737 thousand (31.12.2013: 516 thousand. zł).

## 28. Information about the change in the valuation of financial instruments measured at fair value

In the III quarter of 2014 the Group did not change in the valuation of financial instruments measured at fair value. Derivatives are classified at Level 2 of fair value measurement. During the 9 months ended September 30, 2014, there were no transfers between levels 1,2 and 3.

## 29. Information relating to reclassification of financial assets due to changes in their purpose or use

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

**30. Additional information to the cash flow statement**

Balance of cash and equivalent shown in the consolidated cash flow statement consisted of the following items as per:

	<b>30.09.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Cash in hand	126	138	276
Cash at bank	39 036	46 391	82 223
Other cash - deposits up to 3 months	35 928	37 070	38 644
<b>Total cash and cash equivalents</b>	<b>75 090</b>	<b>83 599</b>	<b>121 143</b>
Cash and cash equivalents excluded from cash flow statement	(20 733)	(1 774)	-
<b>Cash and cash equivalents presented in cash flow statement</b>	<b>54 357</b>	<b>81 825</b>	<b>121 143</b>
- including restricted cash	974	912	-

Cash and cash equivalents excluded from the cash flow statement as at September 30, 2014 relate to blocked funds in accounts of development projects in the amount of PLN 20,733 thousand, and restricted cash in the amount of PLN 974 thousand stands for cash used to pay off the interest on the bonds.

**31. Assets and liabilities measured in fair value**

The Group measures the following assets and liabilities in fair value: investment properties, derivatives and financial assets related to the concession agreement. During the 9 months ended September 30, 2014 there was no change in valuation technique of fair value of the above mentioned assets and liabilities. Details of the valuation techniques used and the unobservable inputs used in the valuation are described in the annual financial statements of the Group for the year 2013.

Items recognized in fair value	Level 1		Level 2		Level 3	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Derivatives (liability side)	-	-	4 751	570	-	-
Financial assets related to the concession agreement	-	-	20 255	695	-	-
Investment properties	-	-	-	-	30 643	30 324

During 9 months ended September 30, 2014 there were no transfers between levels 1, 2 and 3 during the year.

**32. Information concerning segments**

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

Main customers:

In the 9 months ended September 30, 2014 revenues from transactions with single external customer accounted for 10% or more of total revenue. The following table presents the total amount of revenue from each such customer segments and indicate that these revenues relate to:

The total amount of income obtained in 9 months ended 30.09.2014 from a single customer (thousand PLN)	Operation segment containing the revenues
511 343	civil building segment
219 751	road segment

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

**Operational segments:****For the period from 1.01.2014 to 30.09.2014***Unaudited*

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civil building segment	Road segment	Other segments	Total			
<b>Revenues</b>							
Sales to external customers	639 207	399 568	172	1 038 947	-	-	1 038 947
Sales between segments	6	10	-	16	-	(16)	-
<b>Total segment revenues</b>	<b>639 213</b>	<b>399 578</b>	<b>172</b>	<b>1 038 963</b>	<b>-</b>	<b>(16)</b>	<b>1 038 947</b>
<b>Results</b>							
Depreciation	10 950	6 814	68	17 832	-	-	17 832
Share of profits of entities consolidated using equity method	1 411	-	-	1 411	-	-	1 411
Financial income - interests	634	516	84	1 234	-	-	1 234
Financial expenses - interests	6 435	1 335	4	7 774	-	-	7 774
<b>Gross profit</b>	<b>25 166</b>	<b>30 344</b>	<b>(1 211)</b>	<b>54 299</b>	<b>-</b>	<b>(14 323)</b>	<b>39 976</b>

**For the period from 1.01.2013 to 30.09.2013***Modified*

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civil building segment	Road segment	Other segments	Total			
<b>Revenues</b>							
Sales to external customers	478 480	282 466	17 759	778 705	-	-	778 705
Sales between segments	116	28	-	144	-	(144)	-
<b>Total segment revenues</b>	<b>478 596</b>	<b>282 494</b>	<b>17 759</b>	<b>778 849</b>	<b>-</b>	<b>(144)</b>	<b>778 705</b>
<b>Results</b>							
Depreciation	9 953	6 777	94	16 824	-	-	16 824
Share of profits of entities consolidated using equity method	447	-	-	447	-	-	447
Financial revenues - interests	1 588	920	148	2 656	-	-	2 656
Financial expenses - interests	9 285	1 741	2	11 028	-	-	11 028
<b>Gross profit</b>	<b>1 491</b>	<b>22 542</b>	<b>2 346</b>	<b>26 379</b>	<b>-</b>	<b>(6 600)</b>	<b>19 779</b>

Additional information and explanations to the condensed consolidated financial statement

**As at 30.09.2014***Unaudited*

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civil building segment	Road segment	Other segments	Total			
Segment assets	676 103	625 787	68 518	1 370 408	-	(154 950)	1 215 458
Assets not allocated to segments							469 206
<b>Total assests</b>							<b>1 684 664</b>
Segment liabilities	462 954	438 187	40 169	941 310	-	(80 884)	860 426
Other disclosures:							
Capital expenditure	(7 299)	(1 374)	-	(8 673)	-	-	(8 673)
Impairment of non-financial assets	(793)	-	-	(793)	-	-	(793)
Investments in entities consolidated using equity method	10 054	-	-	10 054	-	-	10 054

**As at 31.12.2013***Modified*

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civil building segment	Road segment	Other segments	Total			
Segment assets	836 067	511 988	44 195	1 392 250	-	(234 682)	1 157 568
Assets not allocated to segments							467 846
<b>Total assests</b>							<b>1 625 414</b>
Segment liabilities	562 758	418 171	14 606	995 535	-	(105 354)	890 181
Other disclosures:							
Capital expenditure	(6 264)	(3 591)	(8)	(9 863)	-	34	(9 829)
Impairment of non-financial assets	(788)	-	-	(788)	-	-	(788)
Investments in entities consolidated using equity method	8 644	-	-	8 644	-	-	8 644

**Geographic segments:****For the period from 1.01.2014 to 30.09.2014**

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Foreign	Total			
<b>Revenues</b>						
Sales to external customers	686 473	352 474	1 038 947	-	-	1 038 947
Sales between segments	6	10	16	-	(16)	-
Sales domestic / abroad	-	-	-	-	-	-
<b>Total segment revenues</b>	<b>686 479</b>	<b>352 484</b>	<b>1 038 963</b>	<b>-</b>	<b>(16)</b>	<b>1 038 947</b>

**For the period from 1.01.2013 to 30.09.2013***Modified*

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Foreign	Total			
<b>Revenues</b>						
Sales to external customers	519 432	259 273	778 705	-	-	778 705
Sales between segments	115	28	143	-	(143)	-
Sales domestic / abroad	1	-	1	-	(1)	-
<b>Total segment revenues</b>	<b>519 548</b>	<b>259 301</b>	<b>778 849</b>	<b>-</b>	<b>(144)</b>	<b>778 705</b>

**As at 30.09.2014**

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Foreign	Total			
Operating assets	806 815	563 593	1 370 408	-	(154 950)	1 215 458
Operating liabilities	515 813	425 497	941 310	-	(80 884)	860 426

**As at 31.12.2013***Modified*

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Foreign	Total			
Operating assets	922 538	469 712	1 392 250	-	(234 682)	1 157 568
Operating liabilities	603 088	392 447	995 535	-	(105 354)	890 181



### 33. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the below table:

	<b>30.09.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
<b>Contingent receivables</b>			
<b>From related entities due to:</b>	<b>7 805</b>	<b>716</b>	<b>2 385</b>
Received guarantees and sureties	7 805	716	2 385
<b>From related entities due to:</b>	<b>169 024</b>	<b>182 355</b>	<b>125 052</b>
Received guarantees and sureties	159 210	167 837	111 804
Bills of exchange received as collateral	9 814	14 518	13 248
<b>Total contingent receivables</b>	<b>176 829</b>	<b>183 071</b>	<b>127 437</b>
<b>Contingent liabilities:</b>			-
<b>From related entities due to:</b>	<b>7 805</b>	<b>716</b>	<b>2 385</b>
Provided guarantees and sureties	7 805	716	2 385
<b>From other entities due to:</b>	<b>2 756 498</b>	<b>3 076 804</b>	<b>3 442 845</b>
Provided guarantees and sureties	528 139	598 066	542 226
Promissory notes	423 702	493 193	552 934
Mortgages	332 344	237 118	304 624
Assignment of receivables	1 318 748	1 575 012	1 810 490
Assignment of rights under insurance policy	60 777	71 046	73 265
Security deposits	49 131	58 336	49 132
Other liabilities	43 658	44 034	110 174
<b>Total contingent liabilities</b>	<b>2 764 303</b>	<b>3 077 520</b>	<b>3 445 231</b>

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

Due to employment contracts executed with the employees and Members of the Management Board, as for September 30, 2014 the Group had contingent receivables in the amount of PLN 1,569 thousand and contingent liabilities in the amount of PLN 8,765 thousand. Furthermore, in case of breach of duties of a Manager as stipulated in the agreement on non-competition, the Manager will pay the Company, without any undue delay or termination notice or demand by the Company, liquidated damages as a counter value of EUR 25 thousand in PLN for each case of breach, and counter value of EUR 1 thousand in PLN for each day of breach.

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

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

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

### 35. Material litigation and disputes

In the III quarter of 2014 the Parent company and its subsidiaries were not a party to pending litigation, arbitration or before a public authority, which concern the Company's liabilities, the value of which individually or collectively exceed 10% of the equity Trakcja PRKiL S.A.

During the period covered by the report, the total value of court cases and disputes that concerned the Company's receivables exceeded 10% of the equity and amounted to PLN 183,312,221.80 thousand, of which the total value of cases pending litigation amounted to PLN 88,015,104.89 thousand. Matters of the highest value from a group of lawsuits and litigation are described in detail below. In the opinion of the Company receivables subject to court proceedings and disputes are due to the Company.

#### 35.1. Court litigations

*Case regarding submission of a claim owed from Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in arrangement bankruptcy in Warsaw*

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

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

#### 35.2. Disputes

*Case regarding payment of a contractual penalty to Trakcja PRKiL S.A. by PKP Polskie Linie Kolejowe S.A.*

In connection with performance by the Consortium, i.e.: Trakcja S.A., Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., Przedsiębiorstwo Robót Komunikacyjnych in Kraków S.A., ZUE S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej in Kraków Sp. z o.o., Zakład Robót Komunikacyjnych DOM in Poznań Sp. z o.o. for PKP Polskie Linie Kolejowe S.A. with its registered office in Warsaw (hereinafter the "Contracting Party") of the Contract dated May 31, 2010 for execution of construction works for comprehensive modernization of stations and lines in the area of LCS Działdowo under the project POIiŚ 7.1-41: "Modernization of the railway line E-65/C-E 65 on the section Warsaw – Gdynia – area LCS Działdowo" ("Contract"), about which the Company informed in the current report no. 9/2010 of May 31, 2010. The penalty claimed by the Issuer have been published in the condensed consolidated half-year report for the 6 months ended June 30, 2014. In the quarter of 2014. efforts have been taken by the Company and PKP Polish Railway Lines to resolve the dispute. Negotiations are in progress and according to the Issuer opinion will be completed with the settlement between the Parties.

### 36. Information on dividends paid or declared

In the period from January 1, 2014 to September 30, 2014 the Parent company did not declare and pay dividend.

**37. Information on related entities**

In the III quarter of 2014 the Group's companies did not contain any material transactions with related parties for conditions other than market. Transactions concluded by the Parent company and its subsidiaries (affiliates) are transactions concluded according to market terms and conditions and their nature results from the current activity conducted by the Parent company and its subsidiaries.

Total amounts of transactions concluded with affiliates for the period from January 1, 2014 to September 30, 2014 are presented below.

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
<b>Shareholders of Parent company:</b>							
COMSA S.A.	1.01.14-30.09.14	-	735	-	-	-	-
	1.01.13-30.09.13	-	-	-	-	-	-
<b>Joint ventures:</b>							
BTW Sp. z o.o.	1.01.14-30.09.14	472	3 839	-	-	-	-
	1.01.13-30.09.13	611	1 573	-	-	-	-
<b>Total</b>	<b>1.01.14-30.09.14</b>	<b>472</b>	<b>4 574</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>1.01.13-30.09.13</b>	<b>611</b>	<b>1 573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The information concerning receivables and liabilities from / to affiliates as at September 30, 2014 is presented below.

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
<b>Shareholders of Parent company:</b>					
COMSA S.A.	30.09.2014	-	-	-	-
	31.12.2013	-	1 084	-	-
	1.01.2013	-	1 199	-	-
<b>Joint ventures:</b>					
BTW Sp. z o.o.	30.09.2014	104	1 378	-	-
	31.12.2013	23	1 434	-	-
	1.01.2013	21	1 110	-	-
<b>Total</b>	<b>30.09.2014</b>	<b>104</b>	<b>1 378</b>	<b>-</b>	<b>-</b>
	<b>31.12.2013</b>	<b>23</b>	<b>2 517</b>	<b>-</b>	<b>-</b>
	<b>1.01.2013</b>	<b>21</b>	<b>2 309</b>	<b>-</b>	<b>-</b>

Additional information and explanations to the condensed consolidated financial statement

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

### 38. Events occurring in the III quarter 2014 and after the end of the reporting period

The summary of significant events that took place in the Group in the III quarter of 2014 is presented below.

Significant events during the III quarter of 2014	CR
<b>Significant agreements</b>	
Signing an annex to the contract No. P-6/2011 on "Design and execution of construction works on the railway line Kraków - Medyka - country border on section Podłęże - Bochnia 16,000 - 39,000 km" in the framework of the project "Modernization of the railway line E30 / C-E30 episode Kraków - Rzeszów, stage III" concluded between Trakcja PRKiI and Thales Poland Sp. z o.o on May 16, 2011. The Annex changes the date of execution of the agreement on January 11, 2015.	CR 20/2014
Signing an annex to the agreement between Trakcja PRKiI and PKP PLK SA on "Design and execution of construction works on the railway line Kraków - Medyka - country border in section Sedziszów Małopolski - Rzeszów Zachodni km 133.600 - 154.900." The Annex changes the date of execution of the agreement on April 4, 2015.	CR 21/2014
Signing of the agreement between the consortium led by the Parent Company and PKP PLK SA concerning the additional works on contract LCS Malbork project POLiŚ 7.1 - 1.3 "Modernization of the railway line E65 / CE 65 section Warsaw-Gdynia area Iława LCS, LCS Malbork." The net value of the contract: PLN 20,982,861.00.	CR 22/2014
Signing an annex to the contract for the execution of works to modernize line 9 on the section from km 236.920 to km 287.700 covered by the Local Control Center located in Malbork project: 7.1-1.3 POLiŚ "Modernization of E65/CE 65 on the Warsaw - Gdynia - the area Iława LCS, LCS Malbork" concluded between the consortium led by the parent Company and PKP PLK SA. The annex changes the date for completion of works on December 31, 2014.	CR 23/2014
<b>Other</b>	
Convening on October 16, 2014, the Extraordinary General Meeting of Trakcja PRKiI SA. Publication of draft resolutions.	CR 24/2014
<i>CR - Current Report</i>	

The summary of significant events that took place in the Group after the balance sheet date is presented below.

Significant events after balance sheet date	CR
<b>Other</b>	
The conclusion by the subsidiary AB Kauno Tiltai, an annex to the loan agreement with the banks, Nordea Bank AB and AB DNB bankas. Annex changes both the amount and the terms of individual banking products covered by the agreement.	CR 25/2014
The Management Board of Trakcja PRKiI announced the resolutions adopted at the Extraordinary Shareholders General Meeting held on 10.16.2014 r.	CR 26/2014
The Management Board of Trakcja PRKiI published a list of shareholders holding at least 5% of the total number of votes at the Extraordinary Shareholders General Meeting of the Company held on 16.10.2014 r.	CR 27/2014
District Court. St. Warsaw, XII Commercial Division of the National Court Register registered amendments to the Articles of the Company arising from the content of the resolutions of the Extraordinary shareholders General Meeting dated 10.16.2014 r. The changes were also registered in KRS.	CR 29/2014
<i>CR - Current Report</i>	

**IV. QUARTERLY FINANCIAL INFORMATION****PROFIT AND LOSS STATEMENT**

	<b>1.01.2014 - 30.09.2014</b>	<b>1.07.2014 - 30.09.2014</b>	<b>1.01.2013 - 30.09.2013</b>	<b>1.07.2013 - 30.09.2013</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited, Modified*</i>	<i>Unaudited, Modified*</i>
<b>Continued operations</b>				
<b>Sales revenue</b>	<b>607 252</b>	<b>226 344</b>	<b>449 690</b>	<b>197 075</b>
<b>Cost of goods sold</b>	<b>(565 223)</b>	<b>(212 337)</b>	<b>(427 813)</b>	<b>(188 251)</b>
<b>Gross profit (loss) on sales</b>	<b>42 029</b>	<b>14 007</b>	<b>21 877</b>	<b>8 824</b>
Cost of sales, marketing and distribution	(598)	(103)	(1 908)	(684)
General and administrative costs	(20 166)	(6 446)	(21 910)	(6 920)
Other operating revenues	731	257	16 738	1 514
Other operating costs	(1 522)	(658)	(1 487)	(291)
<b>Operating profit (loss)</b>	<b>20 474</b>	<b>7 057</b>	<b>13 310</b>	<b>2 443</b>
Financial revenues	16 322	15 469	3 480	590
Financial costs	(11 699)	(4 184)	(11 678)	(3 360)
<b>Gross profit (loss)</b>	<b>25 097</b>	<b>18 342</b>	<b>5 112</b>	<b>(327)</b>
Income tax	(2 563)	(888)	(444)	1 905
<b>Net profit (loss) from continued operations</b>	<b>22 534</b>	<b>17 454</b>	<b>4 668</b>	<b>1 578</b>
<b>Discontinued operations</b>				
Net profit (loss) from discontinued operations	-	-	-	-
<b>Net profit for the period</b>	<b>22 534</b>	<b>17 454</b>	<b>4 668</b>	<b>1 578</b>
<b>Profit per share attributable to shareholders in the period (PLN per share)</b>				
- basic	0,05	0,04	0,01	0,00
- diluted	0,05	0,04	0,01	0,00

\*) Details are presented in Note 13 to these condensed consolidated financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**

	<b>1.01.2014 - 30.09.2014</b>	<b>1.07.2014 - 30.09.2014</b>	<b>1.01.2013 - 30.09.2013</b>	<b>1.07.2013 - 30.09.2013</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited, Modified*</i>	<i>Unaudited, Modified*</i>
<b>Net profit for the period</b>	<b>22 534</b>	<b>17 454</b>	<b>4 668</b>	<b>1 578</b>
<b>Other comprehensive income:</b>				
<b>Other comprehensive income that will not be reclassified into profit or loss under certain conditions:</b>	<b>(174)</b>	<b>(671)</b>	<b>6 213</b>	<b>(666)</b>
Profit from revaluation referred into revaluation reserve	-	-	7 041	-
Actuarial gains/(losses)	(174)	(671)	(828)	(666)
<b>Total other comprehensive income</b>	<b>(174)</b>	<b>(671)</b>	<b>6 213</b>	<b>(666)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>22 360</b>	<b>16 783</b>	<b>10 881</b>	<b>912</b>

\*) Details are presented in Note 13 to these condensed consolidated financial statements.

Additional information and explanations to the condensed consolidated financial statement

## BALANCE SHEET

ASSETS	30.09.2014	31.12.2013	1.01.2013
	<i>Unaudited</i>	<i>Modified*</i>	<i>Modified*</i>
<b>Non-current assets</b>	<b>606 105</b>	<b>605 866</b>	<b>597 623</b>
Tangible non-current assets	107 184	100 555	101 864
Intangible assets	59 311	59 085	58 296
Investment properties	25 699	25 699	11 122
Investments in entities accounted using equity method	2 008	2 008	2 008
Investments in subsidiaries	383 288	383 289	384 627
Other financial assets	6 083	8 259	19 754
Deferred tax assets	21 553	26 090	17 711
Prepayments	979	881	2 241
<b>Current assets</b>	<b>471 335</b>	<b>539 971</b>	<b>271 266</b>
Inventory	48 171	42 191	38 432
Trade and other receivables	373 305	420 897	126 418
Income tax receivables	-	1 849	586
Other financial assets	28 861	24 491	7 019
Cash and cash equivalents	15 568	33 744	48 763
Accruals	4 502	3 841	4 101
Construction contracts	928	12 958	45 947
<b>Total assets</b>	<b>1 077 440</b>	<b>1 145 837</b>	<b>868 889</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>556 339</b>	<b>533 977</b>	<b>408 849</b>
Share capital	41 120	41 120	23 211
Basic conditional capital	-	-	18 545
Due payments for basic capital (negative value)	-	-	(18 545)
Share premium	310 102	310 102	231 813
Revaluation reserve	13 586	13 597	8 175
Other capital reserves	168 997	144 350	204 451
Retained earnings	22 534	24 808	(58 801)
<b>Total equity</b>	<b>556 339</b>	<b>533 977</b>	<b>408 849</b>
<b>Long-term liabilities</b>	<b>89 068</b>	<b>97 230</b>	<b>63 930</b>
Interest-bearing bank loans and borrowings	11 861	19 260	22 064
Bonds	50 112	49 926	12 913
Provisions	1 639	1 223	1 052
Liabilities due to employee benefits	10 021	9 227	8 854
Deferred tax provision	15 435	17 450	19 047
Derivative financial instruments	-	144	-
<b>Short-term liabilities</b>	<b>432 033</b>	<b>514 630</b>	<b>396 110</b>
Interest-bearing bank loans and borrowings	81 265	106 683	25 127
Bonds	873	-	147 761
Trade and other liabilities	270 438	329 815	196 502
Provisions	5 290	11 637	5 253
Liabilities due to employee benefits	7 014	6 633	6 029
Other financial liabilities	36 074	34 718	-
Accruals	58	6	-
Construction contracts	31 021	25 138	15 438
<b>Total equity and liabilities</b>	<b>1 077 440</b>	<b>1 145 837</b>	<b>868 889</b>

\*) Details are presented in Note 13 to these condensed consolidated financial statements.

Additional information and explanations to the condensed consolidated financial statement

**CASH FLOW STATEMENT**

	Note	1.01.2014- 30.09.2014	1.01.2013- 30.09.2013
		Unaudited	Unaudited, Modified*
<b>Cash flows from operating activities</b>			
Gross profit from continued operations		25 097	5 112
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		9 264	(119 735)
Depreciation		8 825	7 586
FX differences		70	279
Net interest and dividends		(6 413)	7 930
Profit on investment activities		(197)	(9 955)
Change in receivables		62 353	(113 450)
Change in inventory		(9 571)	(19 413)
Change in liabilities, excluding loans and borrowings		(56 791)	13 480
Change in prepayments and accruals		(707)	(469)
Change in provisions		(5 930)	(2 517)
Change in construction contracts		17 913	(456)
Change in financial derivatives		(144)	-
Income tax paid		1 849	(986)
Other		(1 993)	(1 764)
<b>Net cash flows from operating activities</b>		<b>34 361</b>	<b>(114 623)</b>
<b>Cash flows from investment activities</b>			
Sale (purchase) of intangible assets and tangible non-current assets		(6 632)	(1 192)
- acquisition		(7 224)	(1 996)
- sale		592	804
Financial assets		845	(6 199)
- sold or repaid		3 306	4 950
- granted or acquired		(2 461)	(11 149)
Loans		(1 200)	1 900
- repaid		-	4 000
- granted		(1 200)	(2 100)
Dividend received		-	1 000
Interest received		121	134
<b>Net cash flows from investment activities</b>		<b>(6 866)</b>	<b>(4 357)</b>
<b>Cash flows from financing activities</b>			
Redemption of bonds		-	(13 800)
Loans and borrowings received		30 163	173 107
Repayment of loans and borrowings		(64 851)	(75 282)
Interest paid		(7 829)	(7 336)
Payment of liabilities under financial lease agreements		(3 154)	(2 789)
Other		-	(38)
<b>Net cash flows from financing activities</b>		<b>(45 671)</b>	<b>73 862</b>
<b>Total net cash flows</b>		<b>(18 176)</b>	<b>(45 118)</b>
Net FX differences		-	-
<b>Cash at start of period</b>		<b>33 744</b>	<b>48 763</b>
<b>Cash at end of period</b>	3	<b>15 568</b>	<b>3 645</b>
- with limited access		974	940

\*) Details are presented in Note 13 to these condensed consolidated financial statements.

Additional information and explanations to the condensed consolidated financial statement



## STATEMENT OF CHANGES IN EQUITY

	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium	Revaluation reserve	Other capital reserves	Retained earnings	Total equity	
						Actuarial gains/ (losses)	Results from previous years		
Modified*									
As at 1.01.2014 after adjustments	41 120	-	-	310 102	14 945	(2 665)	147 881	26 220	537 603
Corrections of errors	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 348)	-	(866)	(1 412)	(3 626)
As at 1.01.2014 after adjustments	41 120	-	-	310 102	13 597	(2 665)	147 015	24 808	533 977
Net profit for the period	-	-	-	-	-	-	-	22 534	22 534
Other comprehensive income	-	-	-	-	-	(174)	-	-	(174)
Distribution of profit	-	-	-	-	-	-	24 808	(24 808)	-
Other changes	-	-	-	-	(11)	-	13	-	2
As at 30.09.2014	41 120	-	-	310 102	13 586	(2 839)	171 836	22 534	556 339
Modified*									
As at 1.01.2013	23 211	18 545	(18 545)	231 813	9 504	(1 347)	206 017	(58 136)	411 062
Corrections of errors	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 329)	-	(219)	(665)	(2 213)
As at 1.01.2013 after adjustments	23 211	18 545	(18 545)	231 813	8 175	(1 347)	205 798	(58 801)	408 849
Net profit for the period	-	-	-	-	-	-	-	4 668	4 668
Other comprehensive income	-	-	-	-	7 041	(828)	-	-	6 213
Losses cover	-	-	-	-	-	-	(58 801)	58 801	-
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	-	96 198
Other changes	-	-	-	-	(1 446)	-	-	-	(1 446)
As at 30.09.2013	41 120	-	-	310 102	13 770	(2 175)	146 997	4 668	514 482

\*) Details are presented in Note 13 to these condensed consolidated financial statements.

Additional information and explanations to the condensed consolidated financial statement

	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Other capital reserves	Revaluation reserve	Other capital reserves		Retained earnings	Total equity
						Actuarial gains/ (losses)	Results from previous years		
Modified*									
As at 1.01.2013	23 211	18 545	(18 545)	231 813	9 504	(1 347)	206 017	(58 136)	411 062
Corrections of errors	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	(1 329)	-	(219)	(665)	(2 213)
As at 1.01.2013 after adjustments	23 211	18 545	(18 545)	231 813	8 175	(1 347)	205 798	(58 801)	408 849
Net profit for the period	-	-	-	-	-	-	-	24 808	24 808
Other comprehensive income	-	-	-	-	7 041	(1 318)	-	-	5 723
Losses cover	-	-	-	-	-	-	(58 801)	58 801	-
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	-	96 198
Other changes	-	-	-	-	(1 619)	-	18	-	(1 601)
As at 31.12.2013	41 120	-	-	310 102	13 597	(2 665)	147 015	24 808	533 977

\*) Details are presented in Note 13 to these condensed consolidated financial statements.

Additional information and explanations to the condensed consolidated financial statement

## **V. ADDITIONAL INFORMATION AND EXPLANATIONS TO THE CONDENSED FINANCIAL STATEMENTS**

### **1. Analysis of financial results of Trakcja PRKił S.A. for the III quarter of 2014**

In the III quarter of 2014, Trakcja PRKił S.A. recognized revenue on sale of PLN 226,344 thousand, which is a 14.9 per cent increase when compared to the analogous period in 2013. The cost of goods sold in the III quarter of 2014 increased by PLN 24,086 thousand, i.e. by 12.8 per cent and amounted to PLN 212,337 thousand. The gross profit margin on sales for the III quarter of 2014 was 6.2 per cent and increased by 1.7 basis point when compared to the margin for the III quarter of 2013.

The overheads amounted to PLN 6,446 thousand and decreased by 6.8 per cent, i.e. by PLN 474 thousand when compared to the period. The costs of sales, marketing and distribution amounted to PLN 103 thousand in the III quarter of 2014.

The balance of other operating activity was negative and amounted to PLN 401 thousand and decreased by PLN 1,624 thousand when compared to the analogous period in 2013. For the period from July 1, 2014 to September 30, 2014 the Company incurred a profit from operating activities in the amount of PLN 7,057 thousand. The results on operating activities increased by PLN 4,614 thousand when compared to the results for the III quarter of 2013, when the gain on operating activities amounted to PLN 2,443 thousand.

The Company's financial revenue amounted to PLN 15,469 thousand and increased by PLN 14,879 thousand when compared to the financial revenue for the III quarter of 2013 due to recognition of dividend from a subsidiary. The financial costs increased by PLN 824 thousand and amounted to PLN 4,184 thousand.

In the period from July 1, 2014 to September 30, 2014, the Company incurred a gross profit of PLN 18,342 thousand. The income tax for in the period III quarter of 2014 amounted to PLN 888 thousand and increased by PLN 2,793 thousand when compared to the analogous period in 2013. The Company's net profit for the period from July 1, 2014 to September 30, 2014 amounted to PLN 17,454 thousand and the result was higher by PLN 15,876 thousand when compared to the analogous period in the previous year.

The balance sheet total as for September 30, 2014 amounted to PLN 1,077,440 thousand and was lower by PLN 68,397 thousand than the balance sheet total at the end of 2013.

The value of non-current assets as for September 30, 2014 was PLN 606,105 thousand and increased slightly by PLN 239 thousand. Current assets decreased by PLN 68,636 thousand, i.e. by 12.7 per cent in comparison with the balance as for December 31, 2013 and amounted to PLN 471,335 thousand. The decrease was mainly due to lower trade and other receivables by PLN 47,592 thousand, i.e. by 11.3 per cent, which as for September 30, 2014 amounted to PLN 373,305 thousand. Furthermore, cash and cash equivalents also significantly decreased by PLN 18,176 thousand, i.e. by 53.9 per cent and amounted to PLN 15,568 thousand as for September 30, 2014.

The Company's equity increased as for September 30, 2014 by PLN 22,362 thousand when compared to the balance as for December 31, 2013.

The non-current liabilities decreased as for September 30, 2014 and reached PLN 89,068 thousand and decreased by PLN 8,162 thousand when compared to the balance as for December 31, 2013. The current liabilities amounted to PLN 432,033 thousand and decreased by 16.0 per cent, i.e. by PLN 82,597 thousand when compared to the balance as at the end of the previous year. Trade and other liabilities (amounting PLN 270,438 thousand) recorded the largest decrease among the current liabilities and decreased by PLN 59,377 thousand, i.e. by 18.0 per cent. The short-term interest-bearing bank loans and credits decreased by PLN 25,418 thousand amounting to PLN 81,265 thousand.

## 2. Cyclical and seasonal character of activity

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

## 3. Additional information to the cash flow statement

	<b>30.09.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
Cash in hand	36	98	50
Cash at bank	3 643	6 183	15 887
Other cash - deposits up to 3 months	11 889	27 463	32 826
<b>Total cash and cash equivalents</b>	<b>15 568</b>	<b>33 744</b>	<b>48 763</b>
Cash and cash equivalents excluded from cash flow statement	-	-	-
<b>Cash and cash equivalents presented in cash flow statement</b>	<b>15 568</b>	<b>33 744</b>	<b>48 763</b>
- including restricted cash	974	912	-

Restricted cash in the amount of PLN 974 thousand stands for cash used to pay off the interest on the bonds.

## 4. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the below table:

	<b>30.09.2014</b>	<b>31.12.2013</b>	<b>1.01.2013</b>
	<i>Unaudited</i>	<i>Modified</i>	<i>Modified</i>
<b>Contingent receivables</b>			
<b>From related entities due to:</b>	<b>129 396</b>	<b>138 772</b>	<b>123 885</b>
Received guarantees and sureties	119 581	124 254	110 637
Bills of exchange received as collateral	9 814	14 518	13 248
<b>Total contingent receivables</b>	<b>129 396</b>	<b>138 772</b>	<b>123 885</b>
<b>Contingent liabilities</b>			
<b>From related entities due to:</b>	<b>716</b>	<b>716</b>	<b>2 385</b>
Provided guarantees and sureties	716	716	2 385
<b>From other entities due to:</b>	<b>1 986 567</b>	<b>1 867 942</b>	<b>2 687 836</b>
Provided guarantees and sureties	313 445	304 849	385 256
Promissory notes	423 702	493 193	552 934
Mortgages	259 500	165 300	229 800
Assignment of receivables	864 595	778 032	1 335 193
Assignment of rights under insurance policy	60 777	71 045	73 265
Security deposits	27 230	15 831	7 195
Other liabilities	37 318	39 692	104 193
<b>Total contingent liabilities</b>	<b>1 987 283</b>	<b>1 868 658</b>	<b>2 690 221</b>

Due to employment contracts executed with the employees and Members of the Management Board, as for September 30, 2014 the Company had contingent receivables in the amount of PLN 1 569 thousand and contingent liabilities in the amount of PLN 8,489 thousand. Furthermore, in case of breach of duties of a Manager as stipulated in the agreement on non-competition, the Manager will pay the Company, without any undue delay or termination notice or demand by the Company, liquidated damages as a counter value of EUR 25 thousand in PLN for each case of breach, and counter value of EUR 1 thousand in PLN for each day of breach.

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

Roman Przybył  
President of the Board

Marita Szustak  
Vice – president of the Board

Stefan Dziedziul  
Vice – president of the Board

Nerijus Eidukevičius  
Vice – president of the Board

Jarosław Tomaszewski  
Vice – president of the Board

*Person responsible for preparing the financial statement:*

Sławomir Krysiński  
Head of Financial Reporting Trakcja Group

Warsaw, November 6, 2014