



TRAKCJA PRKiI S.A.

ANNUAL REPORT

TRAKCJA PRKiI S.A.

FOR THE YEAR ENDED DECEMBER 31, 2014

published in accordance with § 82 paragraph 1 point 3 of the Regulation of the Minister of Finance dated February 19, 2009 on the current and periodic disclosures to be made by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2014, item 133)

Warsaw, March 16, 2015

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

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- IV. The annual financial statements of Trakcja PRKiI S.A. for the year ended December 31, 2014
- V. Opinion and report of the chartered auditor

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Ladies and Gentlemen,

The Management Board of Trakcja PRKił S.A. thanks all the shareholders, investors and institutions for their trust. At the same time we are honoured to present you the Annual Report and encourage you to get to know the results of Trakcja PRKił S.A. and Trakcja Group activities in 2014.

The past year was an important period in the Capital Trakcja Group activities at the demanding market of the infrastructure construction. The investment expenditures for modernization of roads and railways in Poland – that have been increasing for several years – have aroused big interest among many European companies and made the Polish market one of the most competitive ones. That's why we used the last year for further optimization of our processes to master our way of doing business. We have also prepared to participate in new tenders whose total value will be significantly higher than in the past seven years.

We devoted year 2014 to align the Company's structure. We have introduced some organizational changes and maximized the economies of scale coming from merger with PRKił S.A. subsidiary company based in Wrocław. We have also restructured PEUiM company in Białystok which after a difficult period in the road construction brought positive financial results. Modern solutions adopted in the companies of the Group contributed to the increased operational efficiency by more effective management of contracts and of execution potential. Along with the increase of scale of activities, we have worked out the more effective financing model resulting in decreasing our working capital needs. As a consequence, we have significantly reduced credit debts and debts related with the bonds issued in 2013, we have improved the Company's profitability and achieved one of the best results in Trakcja Group ever. Additionally, in December 2014 we have finalized the process of the Company's shares re-split in relation 8 to 1. The improvement of the financial position of AB Kauno Tiltai subsidiary made it possible to pay the dividend for year 2014 to the parent company.

Currently, Trakcja PRKił S.A. and Trakcja Group are opening a new chapter in its activities. We have set strategic goals for the Group up to year 2020 that assume the strengthening of our position in the railway construction sector and more intense activities in the road construction.

Our key task is to diversify activities into new markets. In 2014 the Group significantly expanded its scope of activities in Lithuania by increasing revenues from execution of railway contracts. We are interested in further expansion into Scandinavian markets. In year 2014 AB Kauno Tiltai subsidiary won the first contract in Sweden.

With our strong financial fundamentals and efficient operations we are well prepared to increase our competitive ability. Years to come - according to many announcements – will be of the record investment expenditures for the infrastructure. Since we have skilful human resources, modern machines and equipment and trust of financial institutions – even in times of the rising price pressure – we are able to strengthen our position at the infrastructure construction market.

We thank our Employees for their last year's involvement and perseverance in execution of goals set and in particular for efficient implementation of organizational changes. We thank our Customers and Contractors for an excellent cooperation and expect it will continue and develop in next years. We hope that results presented in this Annual Report will strengthen the trust of our Shareholders, Employees and Partners to Trakcja PRKił S.A. and Trakcja Group.

On behalf of the Management Board,

Jarosław Tomaszewski

Acting President of the Board

Trakcja PRKił S.A.



THE MANAGEMENT BOARD'S REPORT
ON TRAKCJA PRKiI S.A. ACTIVITIES
IN 2014

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The Polish original should be referred to in matters of interpretation.

This Management Board's Report on Trakcja PRKił S.A. activities in 2014 is prepared in accordance with § 91 of the Regulation of the Minister of Finance dated February 19, 2009 on the current and periodic disclosures to be made by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2014, item 133).

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Any figures provided in this Management Board's Report on Trakcja PRKił S.A. Activities are presented in thousands of Polish zlotys, unless explicitly stated otherwise. The financial information contained in this report has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union, issued and effective as at December 31, 2014. We would like to draw special attention to statements relating to the future (such as: may, will, expect, believe, estimate) because they are based on certain assumptions that involve risks and uncertainties. Company therefore does not bear any responsibility for this information.

1. BASIC INFORMATION ABOUT TRAKCJA PRKił S.A.

1.1. Information about Trakcja PRKił S.A.

Trakcja PRKił S.A. (the "Company", "Issuer") is one of the leading players on the Polish railway and tram infrastructure construction market.

The main scope of activity of the Company is a comprehensive execution - by means of modern machines and equipment - of works related in the broad meaning with the railway infrastructure. The Company specializes in provision of engineering and construction services that include: design, construction and modernization of railway and tramway lines, red of railway and tramway electric traction and electroenergy lines as well as construction of bridges, viaducts, overpasses, culverts, tunnels, underpasses, retaining walls, roads and accompanying elements of railway and road infrastructure. Apart from that Trakcja PRKił S.A. can execute general construction works like site preparation, building and modernization of construction as well as construction installations and finishing works. Trakcja PRKił S.A. can also offer construction of power systems and remote control systems. Since over fifty years the company has completed comprehensive medium - and recently - also high-voltage installations, in both new and modernized and renovated railway station power facilities.

The Company performed the modernization of several thousand km of railways and electrified more than 10 000 km of railway lines, built and modernized over 450 traction substations and 380 track sectioning cabins.

The Company has a concession for sale of liquid fuel, license for railway transportation services for an indefinite period of time and license for renting traction vehicles (also for indefinite period of time).

The main strengths of Trakcja PRKił are the ability to execute comprehensive projects with own forces current, backlog and

- highly-qualified managers and customer-oriented staff,
- vast experience in timely and professional execution of works in line with the highest European standards,
- modern machines and equipment.

The Company has a competitive advantage over other companies and its position in the railway infrastructure market is stable and firm.

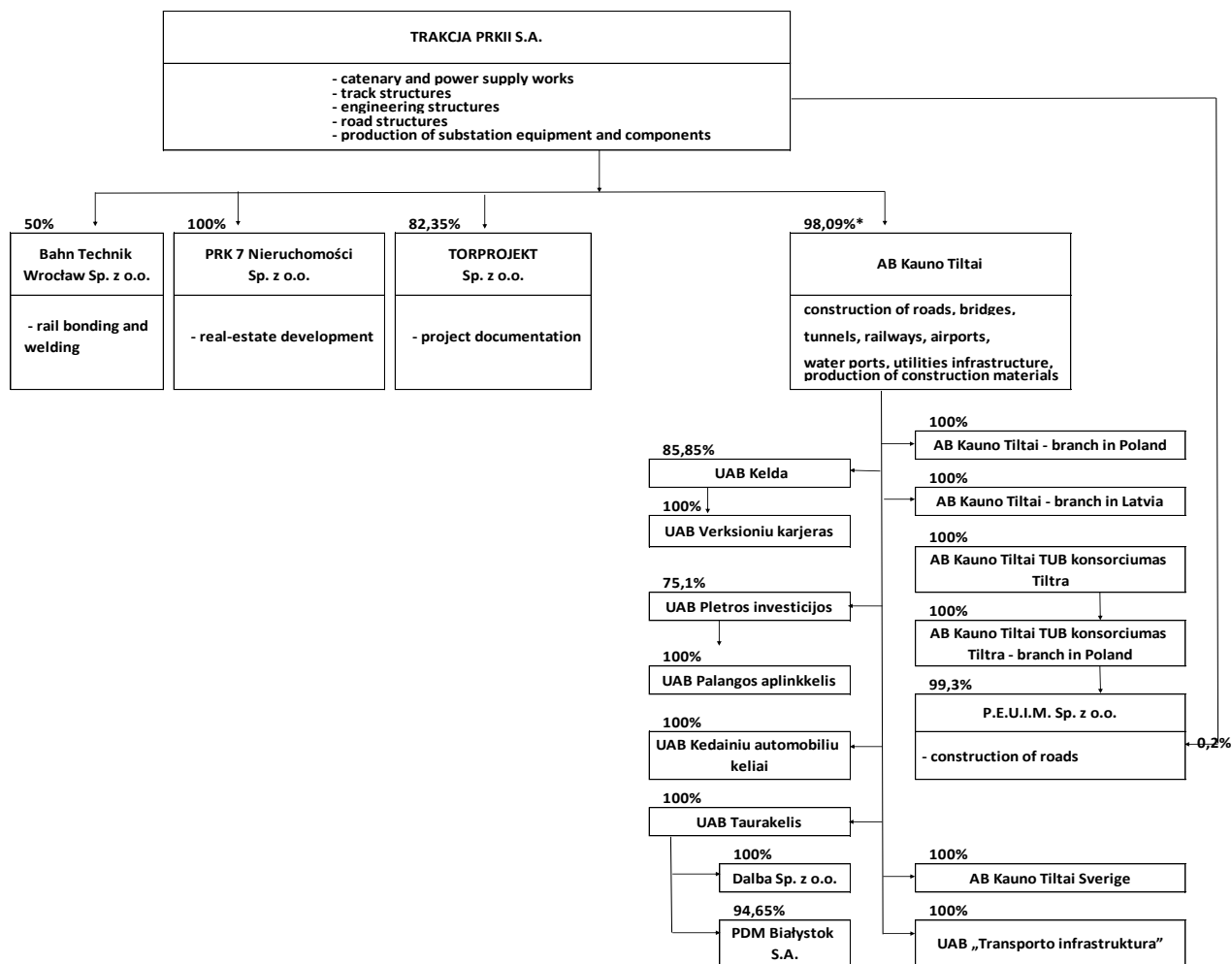
The Company's long-standing market experience has allowed us to develop the project management techniques that guarantee execution of works entrusted to us that is timely, of quality and fully according to the special requirements of the investors.

Most of the projects executed by the Company are financed, among others, from the European Union funds and the Polish government's subsidies. This means strict adherence to EU procedures which additionally influences positively the quality of the Company's services and products.

1.2. Information about organizational and capital ties of the Company with other entities

Trakcja PRKił S.A. is the Parent Company of Trakcja Group.

The capital structure of Trakcja Group as at the balance sheet day of December 31, 2014 is presented in the diagram 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 own shares by a subsidiary.

Changes in the structure of Trakcja Group

Changes in Trakcja Group's structure that took place since January 1, 2014 till December 31, 2014 are described below.

With effect from March 6, 2014 the company Brux Sp. z o.o. in liquidation ("Brux") has been deleted from the National Court Register. Group ceased to consolidate the company with effect from December 31, 2012 as a result of the resolution appointed on December 21, 2012 by the Extraordinary Shareholders' Meeting of Brux to open the process of liquidation. The company was liquidated for economic reasons - its business activity expired.

On July 23, 2014 a new subsidiary of AB Kauno Tiltai company – AB Kauno Tiltai Sverige was founded. The subsidiary is based in Sweden. Its reporting currency is the Swedish crown.

On August 8, 2014 a new subsidiary of AB Kauno Tiltai company – UAB "Transporto infrastruktura" was founded. The subsidiary is based in Lithuania. Its reporting currency is the Lithuanian litas.

The reason for founding these two subsidiaries was the development of activities of Trakcja Group.

In the 4th quarter of 2014 the company PT Kruszywa Sp. z o.o. in liquidation („PTK”) has been deleted from the National Court Register. Group ceased to consolidate the company with effect from December 31, 2013 as a result of the resolution appointed on December 19, 2013 by the Extraordinary Shareholders' Meeting of PTK to open the process of liquidation. The company was liquidated for economic reasons - its business activity expired.

1.3. Information about employment

The average employment in the Company in the reporting period:

	Financial year ended	
	31.12.2014	31.12.2013 Modified
	Audited	
Average employment in the Company during the period:		
Management Board of Parent entity	5	5
Administration	142	145
Sales department	4	25
Production division	851	861
Other employees	11	15
Total	1 013	1 051

The employment in the Company as at:

	31.12.2014	31.12.2013 Modified
	Audited	
Employment in the Company		
Management Board of Parent entity	5	6
Administration	139	153
Sales department	4	24
Production division	853	817
Other employees	11	14
Total	1 012	1 014

1.4. Changes in the basic management rules of the Company

Trakcja PRKił S.A. has implemented, maintains and is constantly improving three management systems that include quality of provided services, environmental protection and occupational health and safety based on high standards resulting from the EU and the Polish law regulations. By having created the Integrated Management System the Company meets requirements of regulations such as:

- ISO 9001:2008 Quality Management System;
- ISO 14001:2005 Environmental Management System;
- BS OHSAS 18001:2007 Occupational Health and Safety Management System.

In year 2014 - after merger of Trakcja S.A. and PRKił S.A. - many organizational and ordinal changes were made. These changes were also visible in the management systems that were implemented and maintained for years by the two companies. The decision to certify in 2014 the OHS management system in the structure of the former Trakcja S.A. caused that all resources, tools and actions were directed to promote the safe work environment and to improve it

constantly. Another priority was integration of two separate OHS systems. In order to meet regulations ISO 14001 and OHSAS 18001 some procedures and instructions were prepared, for example: identification of environmental aspects, identification and monitoring of legal requirements and assessment of their compatibility with the Company's operations, operational steering related with the environmental protection, identification of perils, job risk assessment and means of supervision of OHS. The process of improvement of the united entity was planned with use of operational goals and many actions in that field were taken in 2014.

In 2014 the internal audit of management systems was made. OHSAS 18001, quality and environmental protection management systems were reviewed and certified. The review included all Offices and Teams, organizational units of the Company and selected construction sites.

As confirmation of fulfilling requirements of BS OHSAS 18001:2007 rules Trakcja PRKiI S.A. received the certificate from TÜV SÜD of Poznań. The internal audit ended with positive outcome. Due to the change of name of the Company, ISO 9001 and ISO 14001 certificates were updated.

The certificates issued by TÜV SÜD to Trakcja PRKiI S.A. have the following validity:

- Certificate ISO 9001 and ISO 14001 – July 22, 2015,
- Certificate OHSAS 18001:2007 – November 29, 2016.

In year 2014 there were no changes in basic management rules of Trakcja PRKiI.

2. BUSINESS ACTIVITY OF TRAKCJA PRKiI

2.1. Basic products, goods and services

Modernization of railway lines executed by Trakcja PRKiI S.A. in the framework of its business activity includes:

- developing and agreeing on concepts for all industries involved, developing detailed building design documentation along with obtaining all permits and approvals, and developing as-built documentation,
- replacement of railroad bed and track surface by using mechanized railroad bed and track harvesters including drainage system construction,
- removal of traction network including removal of all the old foundations and construction of a new traction network by using modern methods of foundation construction including the piling method and using trains for flow rewiring,
- refurbishment or complete reconstruction of engineering structures: culverts, bridges, viaducts,
- construction of railway line the power supply system,
- comprehensive modernization of the railway crossings (intersections of roads with railway lines),
- reconstruction of the rail traffic control system,
- preparation of lands for construction,
- building entire constructions or parts thereof,
- completing construction installations, land and railways construction engineering works,
- construction of overhead and underground power lines,
- construction of railway and tram electric traction network and water engineering works.

The company is also involved in the construction of bridges, viaducts, overpasses, culverts, tunnels, subways, roads and the associated infrastructure of rail and road.

In addition, if necessary, we work with companies specialized mainly in the works related to the protection of the railway movement and telecommunications.

As part of supporting activity, production of various types of industrial equipment used in the modernization of rail infrastructure is conducted, including: 15 kV traction and container 3 kV, 1.5 kV, 1 kV, 0.8 kV DC distribution stations, control cabinets, local and remote control equipment and network isolators drives, steel structures for the installation of substations and power engineering equipment, selected traction line equipment.

The backlog of construction contracts of Trakcja PRKiI S.A. as of December 31, 2014 (adjusted for the contracts signed to the date of publication of this report) amounted to PLN 942 million. In 2014 the Company signed the construction

contracts of total value PLN 280 million (with annexes). The current backlog assures the full use of production capacity in the next reporting year. Participation in new tenders in 2015 will enable the Company to assure to a still greater extent its backlog of contracts for the next periods.

The largest contracts that were being executed by the Company in the course of year 2014 are presented in the table below:

No.	Name of contract	Value of contract (mPLN)
1.	Modernization of the railway line nr 9, section from km 236,920 to 287,700, during the Local Area Control Center, based in Malbork	850 960
2.	Modernisation of the E65/C-E65 railway line, Warsaw – Gdynia section – area of LCS Działdowo	754 290
3.	Design and performance of construction works on the Krakow – Medyka – state border railway line on the Podłęże – Bochnia section at km 16.000 – 39.000	624 051
4.	Modernization of the E59 railway line Wrocław – Poznań, step II - section Wrocław – border of Dolnośląskiego	521 497
5.	Modernization of the E30/C-E30 railway line, section Kraków - Rzeszów, step III (Dębica - Sędziszów Małopolski)	415 926
6.	Modernization of the E30/C-E30 railway line, section Kraków – Rzeszów, step III; section Sędziszów Małopolski – Rzeszów Zachodni from km 133,600 to km 154,900	302 006
7.	Design and construction of Łódź Widzew station and part of a railway track Łódź Fabryczna – Łódź Widzew from km 2,250 to km 7,200 within railway traffic control and telecommunication facilities for all section Łódź Fabryczna – Łódź Widzew	313 647

2.2. Structure of Sales

The structure of sales by type of work, production and other activities is presented in the table below.

	2014		2013	
	value	%	value	%
Railway works	905 902	93,8%	603 585	80,2%
Road works	4 301	0,4%	-	0,0%
Bridge works	-	0,0%	74 573	9,9%
Production	12 830	1,3%	29 238	3,9%
Other areas of activity	43 051	4,5%	45 077	6,0%
Total revenues from sales	966 084	100,0%	752 473	100,0%

2.3. Marketing areas and sources of supply

Sale of the Company's products in 2014 was executed on the domestic market.

The Company's main customer was PKP Polskie Linie Kolejowe S.A. company ("PKP PLK S.A.") while other customers were among others: Pomorskie Przedsiębiorstwo Mechaniczno-Torowe Sp. z o.o., Łódzka Kolej Aglomeracyjna Sp. z o.o.

The structure of the customers shows that the Company is still heavily dependent on PKP PLK S.A., which held approximately 80.0% of the direct share in sales revenue of the Issuer in 2014. Since the beginning of existence of the Company, it has been its main client in the structure of customers. PKP PLK S.A. company is not formally associated with the Issuer. The second largest ordering party held approximately a share of 7.7 percent in the revenues structure in the same year.

The structure of suppliers in the analyzed period, shows that generally the Company is not dependent on any of the contractors. In 2014, one situation took place when the share of one single supplier exceeded 10 percent of the value of materials and services purchased by the Issuer. The shares of the Issuer's key suppliers in the total value of materials and services purchased by the Company were respectively of 12.2 percent and 9.2 percent.

2.4. Significant agreements

2.4.1. Most important contracts for construction services

The most important contracts for the construction services signed by the Company in 2014:

No.	Name of contract	Value contract (mln PLN)	Work types
1.	Reconstruction of the railway Warszawa - Łódź, stage 2, section Warszawa Zach.- Skierniewice	78	rail works
2.	Additional works involving the design and construction of two-level grade-separated crossing of the railway line No 17 Niciarniana street in Lodz	56	rail works
3.	Modernization of technical facilities parking SKM Warsaw location Szczęśliwice	45	rail works
4.	Design and execution of works involving the strengthening of the substrate and the construction of the embankment with the reinforcement of slopes - LCS MALBORK contract	21	rail works
5.	Comprehensive repair of track No. 1 railway line WKD	17	rail works
6.	The construction of two-level junction or parallel roads to eliminate crossing at km 149,500	14	rail works
7.	Traction Substations (Expansion and modernization of the tram route in East-West relations (Retkinia Olechów) with power system and area traffic control system)	11	tram works
8.	The construction of two-level junction or parallel roads to eliminate crossing at km 142.850	10	rail works
9.	The revitalization of the railway line No 131 on the section Chociw Grace - Kozuby - Zduńska Wola Karsznice	12	rail works
10.	Other contracts	16	different
Total		280	

2.4.2. Insurance agreements

The Company has standard insurance policies covering with the insurance protection the movable property in case of damage and third party liability insurance in connection with the conducted activity and owned property and construction risks insurance agreements. Additionally, the Company has a standard insurance policies covering protection of civil liability of the members of the Company's bodies. The above mentioned insurance agreements were concluded with the following insurers: Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A., STU Na Życie Ergo Hestia S.A., Allianz S.A., PZU S.A.

2.4.3. Agreements of cooperation and collaboration

The Company has signed framework agreements on cooperation in financial market transactions with entities belonging to mBank Group. The subject matter of the agreements is to define the rules of cooperation in the field of financial market transactions between the Company and the bank. Trakcja PRKił has signed an agreement with mFaktoring S.A. on recourse factoring for an indefinite period.

2.5. Main bank deposits and capital investments

2.5.1. Investments in property

The investment outlays in the Company in 2014 amounted to PLN 9,364 thousand and were by PLN 3,217 thousand higher (by 52%) than in 2013 (PLN 6,147 thousand).

The investments made in 2014 consisted mainly in replacement investments and referred to purchase of machines and equipment that are used in the operational activity of the Company.

2.5.2. Capital investments of the Company, of which capital investments made outside the Group and description of methods of financing them

In 2014 the Company did not make any capital investments.

In 2014 there were founded 2 subsidiary companies of the Issuer: AB Kauno Tiltai Sverige and UAB "Transporto infrastruktura". They were described with detail in point 1.2 of this report.

2.6. Strategy and directions of the Company's development

After the merger, the new Company increased considerably its scale of activities, financial force and contract execution potential and became the leader of the Polish market of construction-assembly services for railways.

The Management Board of Trakcja PRKił S.A. plans to continue in 2015 actions aiming at further improvement of the Company's results by applying the following strategic guidelines:

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

Decisive factors in Trakcja PRKił S.A. success will be the motivational systems that encourage employees to seek further improvements in operations and close collaboration of intra-Group teams of employees.

Strengthening the leader's position in the Polish market of construction-assembly services for railways

The Management Board of Trakcja PRKił S.A. plans in 2015 and next years to focus the Company's activities on the Polish market of construction-assembly services for railways market and strengthen the present leader's position.

This goal will be achievable thanks to assuring the effective organizational and financial support in the areas of bidding and tendering and contract execution.

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

Strengthening of the Company's market position in other markets

The Management Board of Trakcja PRKił S.A. will take actions to strengthen - by winning new contracts - its position in the tramway sector of the railway market of the construction-assembly services.

2.7. Growth perspectives of the Company

The Management Board assesses positively the growth perspectives of the Company in 2015 and next years. The backlog of construction contracts of Trakcja PRKił S.A. as at December 31, 2014 (adjusted for the contracts signed to the date of publication of this report) amounted to PLN 938 million.

Planned investment expenditures (EU funds and the Polish contribution) for the modernization of the Polish railways network in 2014-2020 will amount to about 59 billion PLN (source of information: *"Dokument implementacyjny do strategii rozwoju transportu do 2020 r. (z perspektywą do 2030 r.)"*, Ministerstwo Infrastruktury i Rozwoju, Warszawa, październik 2014 r.).

2.8. Description of external and internal risk factors relevant to the Company's development

The key factors that – in opinion of the Management Board of the Issuer – currently have or may have in the near future influence on the Company's activities are presented below. Information about important proceedings and disputes against the Company as well as sanctions is included in point 5.6 of this report.

The most important external factors that influence much the financial results of the Company are the following:

- Level of expenditures for railway and road infrastructure in Poland,

- Competition of other companies,
- Evolution of raw materials and construction materials prices,
- Influence of the Central Bank's monetary policy on changes in credit interest rates,
- Punctuality of paying liabilities by receivers,
- Changes in law that regulate the scope of activities of the Company, in particular tax regulations and other regulations concerning public charges.

The most important internal factors that influence much the financial results of the Company are the following:

- Precision of cost estimation of projects that are executed which has direct influence on the strategy of participation in tenders, valuation of contracts for tenders and ultimately on the margins achieved in the contracts,
- Ability to win new construction contracts,
- Ability to execute the development strategy of the Company.

2.9. Description of relevant risks and threats with definition to what extent is the Issuer exposed to them

Trakcja PRKił S.A. is facing in its activities different types of risks that can be classified into the following groups:

- Industry risk,
- Contract execution risk,
- Financial risk.

Industry risk

Within this risk the Company is exposed to the increased competition. The railway construction services market at which Trakcja PRKił S.A. operates is attractive due to high planned investment outlays. Despite the high entry barrier to this market, the number of competitors is increasing. Another factor that influences the market position of the Company are financial plans of the Polish government concerning the modernization of the infrastructure.

Above mentioned risk may have serious influence on development perspectives and financial situation of the Company. Trakcja PRKił S.A. competitive edge is over a 70-year market practice which allowed to create high-quality systems of contract execution that are highly appreciated by the Partners. The main strengths of Trakcja PRKił are the ability to execute comprehensive projects with own forces, owned backlog and

- highly-qualified managers and customer-oriented staff,
- vast experience in timely and professional execution of works in line with the highest European standards,
- modern machines and equipment.

The Company has a competitive advantage over other companies and its position in railway infrastructure market is stable and firm. These strengths minimize the risk of competition that is increasing.

Contract execution risk

Inherent risk to the Company's activities is contract execution risk. It depends mainly on the following factors: failure to obtain within the defined period administrative decisions required by regulations of the Construction Law, the Code of Administrative Proceedings or the Environmental Protection Law; changes of prices of raw materials and materials; changes of prices of subcontracting services; failure to finish or delay in execution of subcontractors' works that are necessary to start the execution of the project; cost underestimation; potential fines for shortcomings in contract execution; unfavorable weather conditions. Risk of cost underestimation may take place in cases that are difficult to identify at the stage of preparation of the offer for tender and specification of works that are necessary for the execution of the contract. In the process of execution of the contract the agreements with subcontractors are usually signed later than the agreement with the investor. It bears the risk that the price accepted by the subcontractors will be higher than the price accepted at the stage of valuation of the contract and of signing the contract. Prices in agreement with the investor are fixed and cannot be changed in the duration of the contract. The Company takes the risk of failure to meet deadlines of execution of the construction works defined in the contract as well as of warranty works concerning removal of defects and shortcomings which in consequence gives the Investor the right to use collateral or to demand penalty. The Company cannot eliminate risk of possible disputes concerning inadequate or

untimely execution of the above mentioned agreements. Materialization of mentioned factors may affect financial results of the Company.

The Management Board of the Company takes proper actions to minimize these risks by means for example of implementation of the modern contract management system which allows to manage simultaneously budgets and schedules of many large projects on the basis of detailed itemized information registered in the real time. Additionally, the Company is constantly monitoring the prices of subcontracting services and is monitoring alignment to the market situation of parameters of signed contracts (duration and value). Thanks to initiative of implementing the central purchases system for all contracts being executed and for all supporting organizational units, the Company is going to achieve relevant and long-lasting cost savings as well as to optimize purchases. In addition, the long-time market practice allowed the Company to master the project management techniques of the executed projects that assure achievement of assumed schedules, expected quality and special requirement of the investors.

Financial risk

In the area of financial risk the Company is exposed in particular to risk related to the financial agreements and to liquidity risk. Risk of financial agreements means that both the banks (in the scope of credits and contract guarantees) and the insurers (in the scope of contract guarantees) can limit the availability of financing sources and other financial instruments which may decrease the ability to execute contracts. In 2014 Trakcja PRKił S.A. significantly increased possibilities to obtain new financing both in the form of credit and loans and in the form of warranty products. The Company is monitoring the capital structure by means of financing structure ratios. Analyzed ratios allow to maintain good credit rating and confirm that the operational activity of Trakcja is supported by the capital structure.

The relevant factor of assessment of insolvency risk is the level of generation of operating cash flow, cash volume and liquidity ratios. The Company monitors the level of disposable cash and maintains safe level of external financing and of financial liquidity. Periodical cash surpluses are placed at the short-term bank deposits. In order to avoid potential threats in the future and minimize the Company's risk of losing liquidity, long-term and short-term analyses and forecasts of cash needs are prepared. Thanks to this it is possible to plan cash inflows and outflows, to determine the optimum cash level and the way to finance the future expenditures.

Other possible factors that may cause changes of share price of Trakcja PRKił S.A. are:

- change of credit rating of the Company,
- change of level of the Company's indebtedness,
- sale or acquisition of assets by the Company,
- significant changes in the ownership structure,
- change of forecasts and recommendations of the capital market analysts concerning the Company, its competitors, partners and the market segments in which the Company operates.

The principal goal of the Management Board of the Issuer is to counteract the materialization of all these risks. The Management Board holds talks with employers, consortium partners, banks and insurers. The risk management is carried out at the Company's top management level.

3. ANALYSIS OF MATERIAL AND FINANCIAL SITUATION OF TRAKCJA PRKiI

3.1. Financial results in 2014

3.1.1. Profit and loss account overview

PROFIT & LOSS ACCOUNT	01.01.2014 - 31.12.2014 Audited	01.01.2013 - 31.12.2013 Modified	Change	Change %
Sales revenues	966 084	752 473	213 611	28%
Cost of goods sold	(866 472)	(709 587)	(156 885)	22%
Gross profit on sales	99 612	42 886	56 726	132%
Cost of sales, marketing and distribution	(717)	(2 712)	1 995	-74%
General and administrative costs	(32 635)	(28 941)	(3 694)	13%
Other operating revenues	853	17 184	(16 331)	-95%
Other operating costs	(10 113)	(1 927)	(8 186)	425%
Operating profit	57 000	26 490	30 510	115%
Financial revenues	16 592	3 616	12 976	359%
Financial costs	(14 328)	(15 147)	819	-5%
Gross profit	59 264	14 959	44 305	296%
Income tax	(9 467)	9 849	(19 316)	-196%
Net profit for the period	49 797	24 808	24 989	101%

In 2014, Trakcja PRKiI generated revenues of PLN 966,084 thousand and they were by 28 percent higher than in the preceding year.

In the analysed period, the cost of goods sold increased by 22 percent and amounted to PLN 866,472 thousand. In the said period, the gross margin on sale was 10.3 percent and in the analogous period of year 2013 it was 5.7 percent. In 2014, the gross profit on sales was PLN 99,612 thousand.

In 2014, the general and administrative costs increased by PLN 3,694 thousand, i.e. by 13 percent, as compared to the preceding year. In the analysed period, the selling costs and the marketing and distribution costs were PLN 717 thousand.

The balance of other operating activities was by PLN 24,517 thousand lower than in the comparable period. The difference resulted from the recognition in 2013 of revenues from redeemed liability in the amount of PLN 6,225 thousand, fair value adjustment of investment property in the amount of PLN 4,148 thousand and recognition of profit in the amount of PLN 5,566 thousand coming from the sale of part of Oliwska street real estate and of Górczewska street real estate, classified as tangible fixed assets. On the other hand the Company included into other operating activities the write-off of fair value adjustment of investment property in the amount of PLN 8,097 thousand.

In 2014, the profit on operating activities was PLN 57,000 thousand, while in the preceding year PLN 26,490 thousand.

In the 12-month period ended December 31, 2014, the Company's financial revenues were PLN 16,592 thousand and were by 359 percent higher than in the preceding year. In 2014 the Company received from its subsidiary the dividend in the amount of PLN 14,824 thousand which increased significantly its financial revenues. In the analysed period, the financial expenses were slightly lower (by PLN 818 thousand) than in the comparable period.

In the analysed period, the Company incurred a gross profit of PLN 59,264 thousand versus a gross profit of PLN 14,959 thousand in the preceding year. The main effect on the difference between the results of the Company had contractual activity, which was reflected in the gross profit on sale.

In 2014, the Company incurred a net profit of PLN 49,797 thousand and net profit margin of 5.2 percent. By comparison, in 2013 the Company's net profit margin was 3.3 percent.

3.1.2. Balance sheet items overview

The table below shows the main items of Trakcja PRKił S.A. balance sheet as of December 31, 2014, compared to the situation as of December 31, 2013:

ASSETS	31.12.2014 Audited	31.12.2013 Modified	Change	Change %
Non-current assets	603 625	606 212	(2 587)	-0,4%
Tangible non-current assets	113 429	100 555	12 874	13%
Intangible assets	59 205	59 085	120	0%
Investment properties	17 602	25 699	(8 097)	-32%
Inwestycje w jednostkach stowarzyszonych	382 090	383 289	(1 199)	0%
Investments in other units	2 008	2 008	-	-
Other financial assets	9 482	8 259	1 223	15%
Deferred tax assets	19 020	26 436	(7 416)	-28%
Prepayments	789	881	(92)	-10%
Current assets	468 928	478 363	(9 435)	-2%
Inventory	19 719	42 191	(22 472)	-53%
Trade and other receivables	380 808	357 465	23 343	7%
Income tax receivables	-	1 849	(1 849)	-100%
Other financial assets	25 828	24 491	1 337	5%
Cash and cash equivalents	14 113	33 744	(19 631)	-58%
Prepayments	2 897	3 841	(944)	-25%
Construction contracts	25 563	14 782	10 781	73%
Total assets	1 072 553	1 084 575	(12 022)	-1%

LIABILITIES	31.12.2014 Audited	31.12.2013 Modified	Change	Change %
Equity	581 244	533 977	47 267	9%
Share capital	41 120	41 120	-	0%
Share premium account	309 984	310 102	(118)	0%
Revaluation reserve	12 604	13 597	(993)	-7%
Other capital reserves	167 739	144 350	23 389	16%
Retained earnings	49 797	24 808	24 989	101%
Total liabilities	491 309	550 598	(59 289)	-11%
Long-term liabilities	59 984	97 576	(37 592)	-39%
Interest-bearing bank loans and borrowings	32 907	19 260	13 647	71%
Bonds	-	49 926	(49 926)	-100%
Provisions	1 638	1 223	415	34%
Liabilities due to employee benefits	9 851	9 227	624	7%
Provision for deferred tax	15 588	17 796	(2 208)	-12%
Derivative financial instruments	-	144	(144)	-100%
Short-term liabilities	431 325	453 022	(21 697)	-5%
Interest-bearing bank loans and borrowings	15 769	106 683	(90 914)	-85%
Bonds	32 360	-	32 360	-
Trade and other liabilities	286 185	266 383	19 802	7%
Provisions	9 309	11 637	(2 328)	-20%
Liabilities due to employee benefits	6 944	6 633	311	5%
Income tax liabilities	2 473	-	2 473	-
Other financial liabilities	38 338	34 718	3 620	10%
Accruals	7	6	1	17%
Construction contracts	39 940	26 962	12 978	48%
Total equity and liabilities	1 072 553	1 084 575	(12 022)	-1%

As of 31 December 2014, the total assets of Trakcja PRKił were PLN 1,072,553 thousand and were by PLN 12,022 thousand (by 1 percent) smaller than as of the end of 2013.

The fixed assets were PLN 603,625 thousand and decreased by PLN 2,587 thousand as compared to the preceding year. The biggest drop was in the investment property which lowered by PLN 8,097 thousand as a consequence of an adjustment write-off based on the fair value adjustment as at December 31, 2014.

As of December 31, 2014 the current assets were PLN 468,928 thousand and were by PLN 9,435 thousand lower than as of December 31, 2013 (a 2 percent decrease). The current assets, whose balance changed the most, were the trade receivables and other receivables that increased by 7 percent to PLN 380,808 thousand. In the analysed period, the

cash decreased by PLN 19,631 thousand to PLN 14,113 thousand and the inventory decreased by 53 percent to PLN 19,719 thousand.

As of the end of 2014, the Company's equity increased by PLN 47,267 thousand (as compared to December 31, 2013) to PLN 581,244 thousand. This increase was mainly due to recognition of the financial result of year 2014.

As of December 31, 2014 the long-term liabilities amounted to PLN 59,984 thousand and decreased by PLN 37,592 thousand compared to the end of 2013. This increase is due to the shift of bonds owned by the Company to the short-term part in view of their approaching maturity (December 2015). The value of long-term interest-bearing loans and borrowings increased by PLN 13,647 thousand and reached a level of PLN 32,907 thousand.

As of December 31, 2014, the short-term liabilities were PLN 431,325 thousand and decreased by PLN 21,697, i.e. by 5 percent compared to the end of last year. The biggest drop referred to the interest-bearing loans and borrowings, which decreased by PLN 90,914 thousand. The company in 2014 aimed at reducing the debt by partial repayment of E series bonds and part of loans and borrowings.

3.1.3. Cash flow statement overview

The table below shows the main items of Trakcja PRKił's cash flow in the years ended December 31, 2014 and December 31, 2013:

CASH FLOW ACCOUNT	01.01.2014 - 31.12.2014 Audited	01.01.2013 - 31.12.2013 Modified	Change	Change %
Cash at start of period	33 744	48 763	(15 019)	-31%
Net cash flows from operating activities	91 457	(59 151)	150 608	-255%
Net cash flows from investment activities	6 281	(3 144)	9 425	-300%
Net cash flows from financial activities	(117 369)	47 276	(164 645)	-348%
Total net cash flows	(19 631)	(15 019)	(4 612)	31%
Cash at end of period	14 113	33 744	(19 631)	-58%

At the beginning of 2014, the Company's cash was PLN 33,744 thousand while at the end of the said period its cash was PLN 14,113 thousand. In the analysed period, the total net cash flows were negative of PLN -19,631 thousand.

In 2014, the net cash flows from operating activities of PLN 91,457 thousand were positive. They increased compared to the same period last year by PLN 150,608 thousand.

In 2014, the net cash flows from investment activities of PLN 6,281 thousand were positive, while in 2013 their negative balance was PLN -3,144 thousand. The reason for this positive balance in 2014 was the dividend in the amount of PLN 14,824 thousand received from the subsidiary company.

In 2014, the net cash flows from financial activities were negative of PLN -117,369 thousand. The negative balance resulted mainly from the repayment in the analysed period of borrowings and loans and of part of bonds in the total amount of PLN 101,814 thousand.

3.2. Financial ratios of Trakcja PRKił company

3.2.1. Profitability ratios

The gross profit margin on sale increased to 10.3% in 2014 versus 5.7% in the corresponding period of the last year. The operating profit plus depreciation increased by PLN 31,842 thousand reaching a value of PLN 68,647 thousand, while the EBITDA margin increased by 2.2 p.p. reaching a level of 7.1%. The operating profit margin increased by 2.4 p.p. and reached a positive value 5.9%. The net profit margin, during the analyzed period, reached a value of 5.2%.

The ratio which reflects the return on capital employed in the company - ROE reached a value of 8.9%. The profitability ratio of turnover - ROA amounted to 4.6% and increased compared to the comparable period by 2 p.p.

PROFITABILITY RATIOS	31.12.2014 Audited	31.12.2013 Modified	Change
Gross sales profit margin	10,3%	5,7%	4,6%
EBITDA	68 647	36 805	31 842
EBITDA profit margin	7,1%	4,9%	2,2%
Operating profit margin	5,9%	3,5%	2,4%
Net profit margin	5,2%	3,3%	1,9%
Return on equity (ROE)	8,9%	5,3%	3,6%
Return on assets (ROA)	4,6%	2,6%	2,0%

These ratios were calculated by using the following formulas:

The gross profit margin on sales = gross profit on sales / revenues on sales

EBITDA = operating profit + depreciation

EBITDA profit margin = (operating profit + depreciation) / revenues on sales

Operating profit margin = operating profit / revenues on sales

Net profit margin = net profit / revenues on sales

Return on equity (ROE) = net profit / average shareholders' equity

Return on assets (ROA) = net profit / average assets

3.2.2. Liquidity Ratios

As of December 31, 2014 the working capital of Trakcja PRKiI was positive of PLN 37,603 thousand while at the end of 2013 it was of PLN 25,341 thousand.

As of the end of 2014, the current ratio was 1.1. The quick ratio was 1.0 and was by 0.1 p.p. higher than as of the end of 2013. The cash ratio was close to 0. The current and quick ratios were similar to those of a comparable year. The deterioration of the cash ratio was due to decrease of cash level at the balance sheet date resulting from repayment of part of loans and borrowings.

LIQUIDITY RATIOS	31.12.2014 Audited	31.12.2013 Modified	Change
Working capital	37 603	25 341	12 262
Current ratio	1,1	1,1	0,0
Quick ratio	1,0	0,9	0,1
Cash ratio	0,0	0,1	-0,1

These ratios were calculated by using the following formulas:

Working capital = current assets - current liabilities

Current liquidity ratio = current assets / short-term liabilities

Quick liquidity ratio = (current assets - inventories - deferred expenditure - construction agreements on assets) / short-term liabilities

Immediate liquidity ratio = (cash and cash equivalents + financial derivatives on assets) / short-term liabilities.

3.2.3. Financial structure ratios

Ratio of coverage of assets with equity as of December 31, 2014 reached the level of 0.54 and increased as compared to the end of 2013. The fixed assets to equity ratio increased from 0.88 as of the end of 2013 to 0.96 as of December 31, 2014. The total debt ratio at the end of 2014 amounted to 0.46. The debt to equity ratio decreased from 1.03 as of the end of 2013 to 0.85 as of the end of 2014.

FINANCING STRUCTURE RATIOS	31.12.2014 Audited	31.12.2013 Modified	Change
Equity to assets ratio	0,54	0,49	0,05
Equity to non-current assets ratio	0,96	0,88	0,08
Debt ratio	0,46	0,51	-0,05
Debt to equity ratio	0,85	1,03	-0,18

These ratios were calculated by using the following formulas:

Coverage of assets with equity = equity / total assets

Coverage of fixed assets with equity = equity / fixed assets

Total debt ratio = (total assets - equity) / total assets
Debt-equity ratio = (total assets - equity) / equity

3.3. Evaluation of the management of financial resources

At the end of year 2014 the Company had PLN 14,113 thousand of cash and at the same time its total financial debt including loans, borrowings, issued bonds, financial leasing and factoring liabilities amounted to PLN 119,374 thousand. The Company maintains the safe level of external financing as well as of financial liquidity. Periodical cash surpluses are placed into short-term bank deposits.

As of December 31, 2014 the Company had at its disposal the overdraft facility limit and working capital credit limit in the total amount of PLN 142 million which guarantees the Company the stable level of financing of current contractual activity.

The Company maintains the wide cooperation with banks and insurers to assure adequate level of financing and of banking and insurance guarantees that allows execution of planned construction contracts.

The Company is using many offered banking products and various financing sources (overdraft facilities, investment credits, bonds, factoring and financial leasing) in order to minimize the financial costs and to optimize liquidity management.

3.4. Evaluation of factors and unusual events that had influence on results of Trakcja PRKił company in 2014

Major factors and unusual events that had influence on results achieved by Trakcja in 2014 were:

Recognition of write-down of properties investment value

The Company recognizes investment properties at fair value. On the basis of the valuation of investment properties as at December 31, 2014 made by the independent valuer the loss of value in the gross amount PLN 8,097 thousand of investment properties owned by the Company has been stated. The write-down which was made decreased the gross profit for 2014 by the amount of PLN 8,097 thousand as well as decreased the balance sheet value presented by the Company as at December 31, 2014 by the same amount. Details about used method of valuation of investment properties were included in Note 22 of the Financial Statement for year 2014. This event was a noncash event.

Recognition of write-off of trade receivables

The Company decided to recognize write-off of trade receivables from a non-related company in the amount of PLN 5,163 thousand because this debt has been considered in significant degree as uncollectable.

This write-off of short-term assets value has decreased the financial result of the Company in 2014 as well as has decreased the balance sheet value presented by the Company as at December 31, 2014. This event was a non-cash event.

Settlement of LCS Działdowo contract and conclusion of pre-court Agreement with PKP PLK S.A.

With regard to the settlement of the contract concluded on May 31, 2010 with respect to the performance of construction works of the comprehensive modernization of rail station and route in the area LCS Działdowo under POLiŚ 7.1-41 project: "Modernization of railway line E-65/C-E 65 in the section Warsaw - Gdynia - LCS Działdowo" Trakcja PRKił as a Consortium leader negotiated and reached the pre-court Agreement with the Ordering Party, on the basis of which the Ordering Party is obliged to pay for the benefit of the Consortium the amount of PLN 15,740 thousand.

Additionally, regardless of the Agreement, the Ordering Party undertakes to pay the Consortium the amount of PLN 7,260 thousand to cover the costs of performing the Contract in the extended period of time.

As part of the Contract Final Payment, in connection with the remuneration for the construction works carried out in the previous periods during the term of the Contract, the Contract Engineer accepted the gross amount of PLN 17,998 thousand, which the Ordering Party undertook to pay for the benefit of the Consortium.

The above mentioned event impacted (after deducting costs and recognition of the adequate provisions for costs), in the indirect way the financial result of the Company in 2014 through adjustment of LCS Działdowo contract margin.

According to the assumptions taken by the Management Board about the settlement of the above mentioned components of this agreement and about the recognition of expected costs to be incurred, the impact on the result of 2014 year was of PLN 8,200 thousand.

3.5. Assessment of possibility to carry out investment plans and in that capital investments

On the basis of the analyses prepared, the Management Board estimates that Trakcja PRKiI is able to finance current and future investments out of cash flows from operating activity and by acquisition of debt financing.

3.6. Hedging transactions

The Company's activity in 2014 was not significantly exposed to currency fluctuations. All the agreements performed in 2014, are the agreements whose value is expressed in PLN. As at December 31, 2014 the Company had an interest rate option contract whose valuation was close to PLN 0. In the course of the reporting period the Company was concluding interest rate option contracts and interest rate swap (IRS) contracts. The Company was not concluding any derivative contracts with speculative purposes. The Company did not use hedge accounting in reporting periods that are covered by the Financial Statement.

In 2014 the valuation of derivative instruments recognized in the profit and loss account amounted to PLN 356 thousand while in 2013 amounted to PLN 144 thousand.

3.7. Position of the Management Board on earlier published forecasts of the Company's financial results

Trakcja PRKiI did not publish any financial forecasts in 2014.

4. SHARES AND OWNERSHIP STRUCTURE OF TRAKCJA PRKiI

4.1. Structure of shareholders

As of December 31, 2014 as well as at the date of this report the share capital of the Company, according to the entry in the National Court Register, amounted to PLN 41,119,638.40 and was divided into 51 399 548 ordinary bearer shares of A series with nominal value PLN 0.80 each. Each share gives the right to one vote at the General Meeting.

In the 4th quarter of 2014 by virtue of resolutions of Extraordinary General Meeting of October 16, 2014 the re-split of shares in proportion of 8 to 1, with simultaneous increase of their nominal value, was effected. This means that nominal value of each share was increased from PLN 0.10 to PLN 0.80. All existing ordinary bearer shares of previous series A, C, D, E, F, G and H were marked as a new A series. Re-split was done with proportional decrease of total number of shares from 411 196 384 to 51 399 548 by joining every 8 shares of previous nominal value of PLN 0.10 into one Company's share of new nominal value of PLN 0.80. The entire proceeding did not affect the share capital of Trakcja PRKiI.

As a consequence of the re-split process with effect from December 15, 2014 (the day of resumption of trading in shares) there are 51 399 548 ordinary bearer shares of series A of Trakcja PRKiI that are listed at the Warsaw Stock Exchange, marked with code PLTRKPL00014.

The table below shows the structure of shareholders before and after the share resplit:

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

To the best knowledge of the Management Board, the list of Shareholders that own, directly or through subsidiary entities, at least 5% of the total number of votes at the General Meeting, as at approval date of this report, after performing the resplit process, is the following:

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

After the re-split process was effected, the Company did not receive any notification about change of share in votes at the Company's General Meeting of the current shareholders, owning directly or through subsidiary entities, at least 5% of total number of votes. In view of the above, the number of shares presented in the table was fixed by dividing by 8 (proportion of re-split was 8 to 1) and rounding up to the integer of the number of shares owned by individual Shareholders about whom the Company had information on the day of starting the share resplit process.

4.2. Number and nominal value of the Company's shares and shares and shareholdings in associated companies that are owned by the managing and supervising persons

The state of ownership of the Issuer's shares by the managing and supervising persons as at the date of publication of this report is as follows:

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

To the best knowledge of the Management Board of the Issuer, the remaining members of the Management Board and Supervisory Board at the date hereof do not hold any shares of Trakcja PRKił.

From the date of the previous quarterly report, there were no changes in the percentage share of the Company's shares owned by the managers and supervisors. The changes in number of the Company's shares owned by the managers and supervisors result from the share re-split process in proportion 8 to 1 that was effected in the 4th quarter of 2014.

Members of the Management Board or the Supervisory Board do not hold any shares in the entities of Trakcja Group.

4.3. Agreements concerning potential changes in the structure of shareholders

The Management Board of the Company does not have any information about concluded agreements which may result in the future changes of proportions of shares owned by the current shareholders.

4.4. Employee share schemes

In 2014 Trakcja PRKił S.A. did not introduce any employee share schemes.

4.5. Purchase of own shares

In 2014 Trakcja PRKił S.A. did not acquire its own shares.

5. OTHER INFORMATION

5.1. Information about credit and loan agreements signed and terminated in the given financial year

The list of credits and loans taken by Trakcja PRKił as at December 31, 2014 is presented in the table below:

Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
BRE Bank S.A.	overdraft	10 000	PLN	28-01-2016	WIBOR 1M + margin	-
Alior Bank S.A.	working capital loans	50 000	PLN	30-04-2015	WIBOR O/N + margin	7 000
Alior Bank S.A.	working capital loans	45 000	PLN	30-04-2015	WIBOR 1M + margin	-
PKO BP S.A.	working capital loans	44 000	PLN	03-07-2016	WIBOR 1M + margin	-
mLeasing Sp. z o.o.	project purpose loans	22 400	PLN	16-09-2019	WIBOR 1M + margin	21 683
Total						28 683

The total Company's liabilities from credits and loans taken as at December 31, 2014 amounted to PLN 28,683 thousand, of which PLN 21,683 thousand was of investment nature while PLN 7,000 thousand referred to the usual business.

Additionally, in accordance with agreements signed as at December 31, 2014 the Company had unused limits of overdraft facility and working capital credits for the total amount of PLN 142 million (as at December 31, 2013 it was PLN 19 million).

Credits and loans taken in 2014

During the period covered by this report Trakcja PRKił signed agreements concerning the following credit or loan liabilities:

- Agreement with PKO BP S.A. bank regarding the working capital credit for the amount of PLN 44,000 thousand with the repayment date until July 3, 2016 and with interest rate: WIBOR + margin,
- Agreement with mLeasing Sp. z o. o. concerning the investment loan for the amount of PLN 22,400 thousand with the repayment date until September 16, 2019 and with interest rate: WIBOR + margin.

On April 30, 2014 two annexes to agreements concerning revolving credits were signed:

- Annex to the credit agreement of March 30, 2011 for revolving loan credit account with maximum amount of PLN 60,000 thousand, signed between the Company and Alior Bank S.A. On the basis of the annex the crediting period was extended until April 30, 2015 and the amount was changed to PLN 45,000 thousand.
- Annex to the credit agreement of March 23, 2012 for revolving loan credit account with maximum amount of PLN 15,000 thousand, signed between the Company and Alior Bank S.A. On the basis of the annex the crediting period was extended until April 30, 2015. The parties agreed the amount of the product as PLN 50,000 thousand.

In addition, on the same day, April 30, 2014 the Company signed with the bank the agreement on limit of the products of a guarantee character in the amount of PLN 50,000 thousand. The last day of the period of use is the day of April 29, 2015.

On December 9, 2014 the annex to the recourse factoring significant agreement (concluded on May 10, 2013 between Trakcja PRKił and mFactoring S.A.) has been bilaterally signed. The financing limit foreseen in the agreement was changed to PLN 100,000 thousand. Other regulations were not changed.

Credit and loan agreements terminated in 2014

In the course of year 2014 the Company repaid and terminated the following agreements:

- agreement with Bank Zachodni WBK S.A. on investment loan for the amount of PLN 18,000 thousand with interest rate WIBOR 1M + margin; the balance of the loan as at December 31, 2013 amounted to PLN 11,568 thousand;
- agreement with Bank Zachodni WBK S.A. on investment loan for the amount of PLN 7,200 thousand with interest rate WIBOR 1M + margin; the balance of the loan as at December 31, 2013 amounted to PLN 2,291 thousand;
- agreement with mBank S.A. on working capital loan for the amount of PLN 12,000 thousand with interest rate WIBOR 1M + margin; the balance of the loan as at December 31, 2013 amounted to PLN 4,095 thousand.

5.2. Information regarding loans granted in the financial year

The list of the loans granted by the Company in the course of year 2014 is presented in the table below:

Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
PEUIM Sp. z o.o.	1 200	PLN	31.12.2015	WIBOR 1 M + margin	1 231	subsidiary
TOTAL	1 200				1 231	

5.3. Information on sureties and guarantees granted and taken

In the course of 2014 year the Company did not grant any credit nor loan surety as well as did not grant guarantees together to one entity or subsidiary of this entity which total value of existing sureties and guarantees would be an equivalent of at least 10 percent of the Issuer's equity.

In the course of 2014 year the Company did not grant nor took sureties or guarantees from the related companies.

5.4. Proceeds from the issue of securities

During the reporting period Trakcja PRKił did not issue securities and thereby did not receive any proceeds from the issue of securities.

In the 4th quarter of 2014 the Company effected the share re-split process in proportion 8 to 1 increasing at the same time their nominal value. The resplit process did not produce any proceeds. More details about the re-split made were given in point 4.1 of this report.

On December 18, 2014 the Company acquired in order to redeem 17 914 E series bonds of nominal value PLN 1,000 and total nominal value of PLN 17,914 thousand.

After the balance sheet date, i.e. on January 22, 2015 the Management Board of the National Securities Depository S.A. (NSC) adopted the resolution on withdrawal of E series ordinary bonds from the depository maintained by the NSC. After the redemption with effect from January 26, 2015 there were 3 007 E series ordinary bonds marked with ISIN code: PLTRKPL00089.

5.5. Important off-balance sheet positions

Sureties, guarantees and other contingent liabilities are presented in the table below:

	31.12.2014 Audited	31.12.2013 Modified
Contingent receivables		
From related entities due to:	123 039	138 772
Received guarantees and sureties	113 573	124 254
Bills of exchange received as collateral	9 466	14 518
Total contingent receivables	123 039	138 772
Contingent liabilities		
From related entities due to:	-	716
Provided guarantees and sureties	-	716
From other entities due to:	1 684 351	1 867 942
Provided guarantees and sureties	300 979	304 849
Promissory notes	403 850	493 193
Mortgages	229 500	165 300
Assignment of receivables	626 397	778 032
Assignment of rights under insurance policy	60 777	71 045
Security deposits	25 530	15 831
Other liabilities	37 318	39 692
Total contingent liabilities	1 684 351	1 868 658

Contingent receivables resulting from granted guarantees and sureties include guarantees issued by the banks or other entities to the Company. These guarantees secure claims of the Company towards partners for construction contracts that are being executed.

Contingent liabilities resulting from granted guarantees and sureties are in particular guarantees issued by the bank to the Company's partners that secure their claims to the Company for construction contracts that are being executed. The banks have the right of recourse in this respect to the Company. The Company's promissory notes are another form of security guarantees, referred to hereinabove.

5.6. Important litigate cases and disputes

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

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

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

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

According to the Company's knowledge, a list of claims towards PNI was prepared. Claims of Trakcja PRKił S.A. were accepted in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 due to unpaid invoices and PLN 294,632.29 due to interest for delay in payment. It was refused to accept receivables due to contractual penalties and other claims in the total amount of PLN 44,956,834.35. The Company does not agree with the refusal to accept the aforementioned part of claims; therefore, an objection was submitted to the judge commissioner concerning the refusal in the aforementioned scope. The court rejected the objection, therefore the Company filed a complaint. The case is pending.

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

In connection with the contract concluded on May 31, 2010 by the consortium led by Trakcja PRKił, with PKP PLK S.A., in regard to construction works relating to the complex modernization of the station and routes in LCS Działdowo within the scope of the project POIŚ 7.1-41: "Modernization of the railway line E-65/C-E 65 at the Warsaw - Gdynia section - LCS Działdowo area", the Company informs that the case for the payment to Trakcja PRKił by PKP PLK S.A. of a contractual penalty (case described in the report for Q3 2014 and previous reports) as a result of conducted negotiations ended with conclusion of a court settlement on February 4, 2015. Pursuant to this settlement, PKP PLK S.A. undertook to pay to the consortium the amount of PLN 15,740,228.58. As of the date of this report, the above amount was paid by PKP PLK S.A.

5.7. Important events after the balance sheet date

Significant events after the balance sheet date	CR
Significant agreements - construction contracts	
Signing by Trakcja PRKiI S.A. and PKP PLK S.A. the annexe to the material agreement for design and reconstruction of the railway station Łódź Widzew as well as part of the route Łódź Fabryczna – Łódź Widzew from 2,250 km to 7,200 km, including signalling and telecommunications equipment for the entire section Łódź Fabryczna – Łódź Widzew, and modernisation of roundabout line Łódź Widzew – Łódź Chojny – Łódź Kaliska, concluded on June 30, 2011. Appendix changes the date of the contract as at December 14, 2015.	CR 1/2015
Signing by Company and PKP PLK S.A. of the agreement for the "Performance of additional works such as designing and constructing the collision-free two-level crossing of the railway line no. 17 and Niciarniana street in Łódź, under the OPIE 7.1 – 24.2 "Improvement of the Łódź Railway Junction (TEN-t), stage 1, Łódź Widzew – Łódź Fabryczna section"". The net value of the contract PLN 56,045,000.00. The term of the full scope of this contract is divided into parts and the latest of them will be made until August 30, 2016.	CR 2/2015
Signing by Trakcja PRKiI S.A. the Representative of the Consortium and PKP PLK S.A. modifying the material agreement no. 90/104/121/00/17000031/10/I/I of November 30, 2010 with respect to the "Modernisation of E30 railway line, stage 2, Zabrze - Katowice - Cracow section Tender no. 1 - Modernisation of the following sections: Jaworzno Szczakowa – Trzebinia (15,810 - 29,110 km of line no. 133) Jaworzno Szczakowa – Sosnowiec Jęzor (0,000 – 6,847 km of line 134)". Under the agreement has been modified time limit for completion of the works until June 30, 2015 and the scope of work which will be the new net value PLN 55.860.846,48.	CR 3/2015
Making a settlement by Consortuim Trakcja Polska and PKP PLK S.A. the Agreement concluded on 31 May 2010 with respect to the performance of construction works of the comprehensive modernisation of rail station and route in the area LCS Działdowo under OPI&E 7.1-41: "Modernisation of railway line E-65/C-E 65 in the section Warsaw - Gdynia - LCS Działdowo". Making the pre-court Agreement with the Ordering Party, on the basis of which the Ordering Party is obliged to pay for the benefit of the Consortium the amount of PLN 15,740,228.58. Additionally, regardless of the Agreement, the Ordering Party undertakes to pay the Consortium the amount of PLN 7,259,771.42 to cover the costs of performing the Contract in the extended period of time and the Contract Engineer accepted the gross amount of PLN 17,997,919.06, which the Ordering Party undertook to pay for the benefit of the Consortium.	CR 6/2015
Other	
On January 12, 2015 the company gave dates of publication of periodic reports in 2015.	CR 4/2015
On January 22, 2015 the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. adopted a resolution in which it stated that in relation to the Company's redemption of 17 914 series E bonds issued by the Company, marked with code PLTRKPL00089 with the nominal value of PLN 1000.	CR 5/2015
On February 11, 2015 based on the received initial reports on valuation of assets included in the investment real estate portfolios of the Issuer and companies in the Group of Companies, the write-down on investment real estates was made in the amount of PLN 7,264,000.00. The amount of write-down on investment real estates solely owned by the Issuer was PLN 7,608,000.00.	CR 7/2015
On February 20, 2015, due to the performance of impairment test of goodwill assigned to the cash generating unit, which consists of the following subsidiaries: Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o., Dalba Sp. z o.o. and Przedsiębiorstwo Drogowo-Mostowe Białystok S.A., has decided to write-off the value of that asset in Trakcja Group's consolidated balance sheet in the amount of 37 431 thousand PLN.	CR 9/2015
On March 11, 2015 the Management Board of Trakcja PRKiI S.A. decided to recognize as at 31 December 2014 write-off of trade receivables from a non-related company in the amount of 5.163 thousand PLN.	CR 11/2015
<i>CR - current report</i>	
Changes in the composition of the Management Board	
On February 19, 2015 Mr Roman Przybył submitted his resignation from the position of the President of the Management Board. The reasons of the resignation are indicated as personal. In conjunction with the resignation tendered by Mr Roman Przybył the Supervisory Board today appointed Mr Jarosław Tomaszewski, Chief Financial Officer and the Vice-President of the Management Board, as the acting President of the Management Board. Moreover the Supervisory Board accepted withdrawal of Miss Marita Szustak's statement of resignation from being member of the Management Board.	CR 8/2015

5.8. Transactions with related parties

All transactions concluded by the Issuer with related parties were concluded on market conditions.

Detailed information on transactions with related parties are presented in Note 54 of the Annual Financial Statement of Trakcja PRKiI for the year 2014.

5.9. The remuneration of members of the Management and the Supervisory Board

The remuneration of members of the Management Board in 2014 is presented in the table below:

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

*) The amount of remuneration includes compensation in the case of resignation or dismissal from the position

The remuneration of members of the Supervisory Board in 2014 is presented in the table below:

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

5.10. The agreements concluded between the Company and managing persons

The Company entered into employment agreements with members of the Management Board, which provide for compensation in the amount of 12-times the basic monthly remuneration in the event of early termination of the above agreements.

Trakcja PRKiI concluded with the Management Board members non-competition agreements, that provide for a period of one year from the date of termination of employment a compensation in the amount of 100% of average monthly remuneration payable pursuant to an agreement of employment during the last year of employment with the Company in the event of early termination of the above agreements.

5.11. Important achievements in Research and Development area

The scope of the Company's activities does not require conducting of relevant R&D works.

5.12. Information on the entity acting as the chartered Auditor

On the basis of the resolution of Trakcja Group Supervisory Board, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. based in Warsaw, Al. Jana Pawła II 19 str. is the entity entitled to audit the financial statements of Trakcja Group and Trakcja PRKiI S.A.

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

- half-year review of the standalone and consolidated financial statement prepared as at June 30, 2014 in accordance the with International Accounting Standards,
- an audit of the standalone and consolidated financial statement prepared as at December 31, 2014 in accordance with the International Accounting Standards,

The agreement was concluded for the period of execution of the subject of the agreement.

The amount of remuneration for audit and review of the financial statement is presented in the table below:

	Financial year ended	
	31.12.2014 Audited	31.12.2013* Modified
On account of agreement for financial statement audit	148	110
On account of agreement for financial statement review	77	55
On account of tax advisory	-	9
On account of other agreements	-	10
Total	225	184

*) In 2013 the entity entitled to audit the financial statements of the Group and the Company was BDO Sp. z o.o. For that reason the amounts indicated in the above table in year ended December 31, 2013 refer to services provided by BDO Sp. z o.o.

The remuneration for the audit of the selected companies of Trakcja Group is paid on the basis of the separate agreements concluded between the entity entitled to audit the financial statements and each of the selected companies of the Group.

6. REPORT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES

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

The Company undertook to observe the corporate governance rules specified in the "Best Practice for WSE Listed Companies", except for the following rules:

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

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

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

- have its own website, whose scope and presentation method should be modelled on the sample investor relations template available at: <http://naszmodel.gpw.pl/>;
- provide for adequate communication with investors and analysts using modern Internet communication methods for that purpose;

Explanation:

Company observes this rule in the following way: the Company's website is not based on the model service available at: <http://naszmodel.gpw.pl/>; its layout and contents, however, are to a great extent consistent with those presented in the model service. Adequate communication with investors and analysts is maintained by using telephone connections and by e-mail. The Company does not intend to implement any new communication methods, as the ones used so far have been, in its opinion, sufficiently effective.

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

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

Company did not apply the aforementioned rule.

Explanation:

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

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

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

The parent Company did not apply the aforementioned recommendation. Currently the share of women in the Management Board of the Company is 1 to 3 with Mrs Marita Szustak being the Vice President.

Explanation:

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

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

If the company supports various types of artistic and cultural expression, sports or educational or scientific activities and perceives its activities in these areas as an element of its business mission and development strategy which affects the innovativeness and competitiveness of the enterprise, it is a good practice to publish, in a manner adopted by the company, the rules governing its activities in the areas referred to above.

Company did not apply the aforementioned recommendation.

Explanation:

The Company supports sports and informs about such activities regularly through its website. The Company, however, does not publish any rules governing its activity in this field as the support of the Company is limited to specific projects and is not cyclical in nature. The Company will consider the possibility to comply with the aforementioned rule in the future.

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

The Company should ensure that its shareholders may participate in person or by proxy to vote during the general meeting, outside the place of holding the general meeting through use of electronic means of communication.

The Company did not apply the aforementioned rule.

Explanation:

This rule will not be applicable since the Company does not keep detailed records of the general meetings proceedings, that includes all speeches and questions of shareholders. The participants of the general meetings, in accordance with regulations of the code of commercial companies, have the right to submit declarations in writing, which are enclosed to the minutes of the general meeting. In the opinion of the Company aforementioned rules ensure the transparency of the general meetings.

The Company does not have adequate technical facilities to preserve detailed records of the general meetings professionally and safely. Furthermore, according to the Company, previous forms of documenting of the course of the general meetings ensure transparency and protect the rights of all shareholders. The course of the general meetings of the Company is preserved in accordance with applicable laws while the content of the resolutions adopted at the general meetings is transmitted by the Company in the form of current reports as well as placed at the Company's website.

The use of the form communication, indicated in the recommendation is, in the opinion of the Company, risky due to potential technical problems. The Company will consider the possibility to comply with the aforementioned rule.

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

Before the company concludes a significant agreement with a related entity, its Management Board should request the approval of the transaction/agreement by the Supervisory Board. This obligation does not apply to typical transactions made at arm's length in the framework of the operating business by the company with a subsidiary, in which the company holds a majority stake. For the purpose of these rules, the definition of the related entity is adopted within the meaning of the Regulation of the Minister of Finance issued under Article 60, paragraph 2 of the Act on Public Offering and on Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies of 29 July 2005 (Journal of Laws No. 184, item 1539, as amended).

The Company applies the above rule partially.

Explanation:

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

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

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

The Company applies the above rule partially.

Explanation:

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

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

Presence of representatives of the media should be allowed at General Meetings.

The Company did not apply the aforementioned rule.

Explanation:

Currently our Section for Communication provides the representatives of the media with current information in the form of press release.

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

A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

- 1) real-life broadcast of General Meetings;
- 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.

The Company did not apply the aforementioned rule.

Explanation:

In line with Article 406 of the Commercial Companies Code the current content of the Company's Statute does not foresee the possibility to participate in the general meeting through electronic means of communication, which includes aforementioned ways of communication.

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

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

- 1) liquidation of the Company;
- 2) increasing the share capital of the Company, remission of shares in the Company and decreasing the share capital of the Company;
- 3) issuing convertible bonds or other securities giving their holder voting rights;
- 4) granting options with rights to take up shares or other securities of the Company and determining the terms of such options;
- 5) cancellation of Shareholders' pre-emptive rights with regard to newly issued shares;
- 6) sale of the enterprise or an organised part thereof;
- 7) dismissing or suspending members of the Management Board or the Supervisory Board;
- 8) merger between the Company and another company, division or transformation of the Company;
- 9) cancellation of the dematerialisation of shares in the Company;
- 10) changes to the Statute;

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

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

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

6.3.1. The Management Board

As of the date of publication of this report, the Company's Management Board consisted of:

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

In the last financial year, Mr. Tadeusz Kałdonek left the Management Board. He was not elected by the General Meeting of Shareholders for the next term.

On December 31, 2014 Mr Stefan Dziedziul and Mrs Marita Szustak made a statement of resignation from the performed function of the member of the Management Board with effect of termination as of March 31, 2015.

On February 19, 2015 Mr Roman Przybył resigned for personal reasons from the function of the President of the Management Board of Trakcja PRKiI. Due to resignation of Mr Roman Przybył, the Supervisory Board entrusted Mr Jarosław Tomaszewski, the previous Financial Director and the Vice President, with the duties of the President of the Management Board.

On February 19, 2015 the Supervisory Board of the Company acknowledged the statement of withdrawal of resignation from the performed function of the member of the Management Board made by Mrs Marita Szustak.

The Company's Management Board operates on the basis of provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Management Board. In accordance with the Company's Statute, the Management Board is comprised of no more than 10 people, elected by the Supervisory Board and dismissed by the Supervisory Board or the General Meeting subject to: (i) change of the Article 13.1, 13.4 of the Statute, (ii) change of respective law regulations, (iii) election of the Supervisory Board in the manner defined in the Article 385 paragraph 5 and (or) 6 of the Commercial Companies Code, the main shareholder COMSA is not able to appoint such number of the Supervisory Board members which would constitute the majority of its members. COMSA is entitled to appoint or dismiss the members of the Management Board in the number of 50% of all members of the Management Board (rounded down to the integer) and additionally of one member of the Management Board. In case that the number of members of the Management Board appointed by COMSA ceases to constitute the majority of the members of the Management Board, the resolution of the General Meeting on dismissal or suspension a member (members) is adopted by a majority of 2/3 of votes cast.

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

6.3.2. Authorised signatories

The Company's authorised signatories included:

- Elżbieta Okuła,
- Jan Sęktas,
- Marek Mazur.

The above mentioned signatories make representations on behalf of the Company acting jointly with the member of the Management Board in line with the Article 20 of the Company's Statute. No new authorised signatories were appointed in the last financial year while in December 2014 the Management Board adopted the resolution on dismissing proxy in the person of Mr Piotr Sykuła.

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

6.3.3. Supervisory Board

The Company's Supervisory Board consists of:

- | | | |
|------------------------------|---|---|
| ▪ Maciej Radziwiłł | – | Chairman, |
| ▪ Julijus Stalmokas | – | Chairman Deputy of the Supervisory Board, |
| ▪ Jorge Miarnau Montserrat | – | Chairman Deputy of the Supervisory Board, |
| ▪ Miquel Llevat Vallespinosa | – | Member of the Supervisory Board, |
| ▪ Wojciech Napiórkowski | – | Member of the Supervisory Board, |
| ▪ Fernando Perea Samarra | – | Member of the Supervisory Board, |
| ▪ Andrzej Bartos | – | Member of the Supervisory Board. |

In the last financial year, the Supervisory Board's composition did not change.

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

The Company's Supervisory Board operates on the basis of provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Supervisory Board. At present, the Supervisory Board consists of 7 members. The Supervisory Board is now composed of its Chairman, two Chairman Deputies and other members. The term of office of the Supervisory Board is three years.

The members of the Supervisory Board are appointed and dismissed by the General Meeting while the main shareholder, COMSA, has the right to appoint and dismiss four members of the Supervisory Board through a written statement submitted to the Company. If the number of the Supervisory Board members is greater or smaller than seven due to an amendment of Article 13.1 of the Statute or the applicable provisions of the law, COMSA has the right to appoint and dismiss 50% of the Supervisory Board members (rounded down to the integer) and one additional Supervisory Board member.

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

- 1) they should not be member of the Management Board of the Company or of a related company, and should not have performed such a function within the five preceding years;
- 2) they should not be employee of the Company or of a related company, and should not have performed such a function within the three preceding years;
- 3) they should not, at present or in the past, receive material additional remuneration from the Company or a related company, apart from the remuneration on account of performing the function of a Supervisory Board member;
- 4) they should not be or in any way represent a majority shareholder or any shareholder having at least 5% of votes at the General Meeting;
- 5) they should not, at present or in the preceding year, have significant business relations with the Company or a related company, both directly or as a partner, shareholder, director or key employee of an entity having such relations;
- 6) they should not, at present or in the three preceding years, be a partner or employee of the current or previous external auditor of the Company or a related company;

- 7) they should not be a managing or executive director of another company in which a member of the Company's Management Board is a non-executive or supervising director, and should not have any material relations with members of the Company's Management Board through activity in other companies or entities;
- 8) they should not perform the function of a member of the Supervisory Board for more than three terms of office;
- 9) they should not be a close relative of a managing or executive director or persons referred to in points from 1) to 8).

The Supervisory Board which does not have an independent Supervisory Board member, irrespective of the reasons of this situation, has the capacity to adopt resolutions in important matters.

If COMSA does not appoint a member (members) of the Supervisory Board within twenty-one days from the date of expiration of the mandate of a member (members) of the Supervisory Board appointed by COMSA, such a member (members) of the Supervisory Board should be appointed and dismissed by the General Meeting until the moment when COMSA exercises its right. If COMSA exercises its right to elect a Supervisory Board member, the mandate of the member (members) of the Supervisory Board elected by the General Meeting in accordance with this provision automatically expires, without affecting the term of office of the Supervisory Board.

The Supervisory Board, which due to the expiration of the mandate of a member (members) of the Supervisory Board (for reasons other than dismissal), is composed of less than seven, but at least five members, has the capacity to adopt resolutions in important matters until the appointment of the missing Supervisory Board members.

If the Supervisory Board is elected according to the procedure set out in Article 385 § 5 or 6 of the Commercial Companies Code, the Chairman is appointed by COMSA from among the candidates elected according to the procedure set out in Article 385 § 5 or 6 of the Commercial Companies Code.

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

The works of the Supervisory Board are managed by its Chairman and in the case of his/her absence by the Chairman Deputy. The members of the Supervisory Board can be reappointed for another term of office. The members of the Supervisory Board are involved in the activities of the Supervisory Board personally. The Supervisory Board may also adopt its resolutions without holding meetings of the Board, in writing or through the use of means of direct communication over distance. Meetings of the Supervisory Board are convened at least four times per year by its Chairman, who also chairs the meetings. In the absence of the Chairman, the meetings are chaired by the Chairman Deputy. The Chairman convenes the meetings of the Supervisory Board also upon a written motion of the Company's Management Board or the Supervisory Board member. The Chairman elects the secretary of the Supervisory Board. A resolution of the Supervisory Board may be adopted at a meeting, if all the board members have been invited in writing (such invitations should be delivered to the Supervisory Board members at least seven days before the day on which the meeting is to take place) and at least half of the members are present at the meeting, including the Chairman and at least one Chairman Deputy of the Supervisory Board. A meeting of the Supervisory Board may also be valid without being formally convened, if all the Supervisory Board members are present at the meeting and none of the members protests against such a meeting being held or against any of the matters included in the agenda. Subject to Article 388 § 4 of the Commercial Companies Code, the Supervisory Board may also adopt its resolutions in writing or through the use of means of direct communication over distance. In such a case a draft resolution should be presented to all the members of the Supervisory Board by the Chairman, and if the Chairman is absent by one of the Supervisory Board Chairman Deputies.

The Supervisory Board has the authority to continuously supervise the operations of the Company. The Supervisory Board's resolutions are required in matters reserved for the Supervisory Board in the Commercial Companies Code and in Articles 16 and 16A of the Company's Statute. The Supervisory Board appoints the Company's certified auditor. The Supervisory Board's resolutions are adopted by an ordinary majority of the votes. If there is no majority, the vote of the Chairman of the Supervisory Board prevails.

On July 25, 2013, the Supervisory Board appointed from among its members an Audit Committee composed of Mr. Wojciech Napiórkowski (Chairman of the Audit Committee), Mr. Fernando Perea Samarra (Member of the Audit Committee) and Mr. Maciej Radziwiłł (Member of the Audit Committee).

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

6.4. Description of basic features of internal audit and risk management systems with reference to the process of drawing up consolidated financial statements

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

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

In 2014 Trakcja PRKiI leads accounts in the Microsoft Dynamics AX IT system. The structure of the system enables transparent distribution of responsibility, consistent registering of entries in the books and control between individual modules.

The consolidated financial statements are prepared based on uniform consolidation packages prepared in an electronic form by the respective Capital Group companies. The data is consolidated by the Stock Exchange Reporting Department under the supervision of the Vice President of the Management Board – Financial Director.

The Supervisory Board assesses the standalone and consolidated financial statement and appoints the Audit Committee which is an advisory and influential body acting within the structure of the Supervisory Board. The main purpose of actions of the Audit Committee is to support the Supervisory Board in financial supervision and provision for the Supervisory Board trustworthy information and opinions that enable to take adequate decisions referring to financial reporting, internal control and risk management as well as ensuring independence and objectivity of the entity entitled to audit financial statements.

In line with applicable law Trakcja PRKiI ensures the audit of its annual financial statements and review of its interim financial statements is made by the independent chartered auditor. The Supervisory Board appoints the chartered auditor from among renowned auditors on the basis of the recommendations of the Audit Committee. Within its audit works the chartered auditor prepares the independent evaluation of truth and fairness of the standalone and consolidated financial statements and confirms the efficiency of internal control and risk management system.

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

In 2014, Trakcja applied the set of corporate governance rules collected in the document entitled "Good Practices of Companies Listed on the WSE" published in Appendix to the Resolution No. 12/1170/2007 of the WSE Supervisory Board dated 4 July 2007, amended by Appendix to the Resolution No. 19/1307/2012 dated 21 November 2012.

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

6.6. Specification of shareholders holding directly or indirectly significant shareholdings

According to the Issuer Management Board knowledge, status of shareholders possessing directly or by the agency of subsidiaries at least 5% of the general votes at the General Meeting of Shareholders at the day of publication of the Statement is as follows:

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

After the re-split process was effected, the Company did not receive any notification about change of share in votes at the Company's General Meeting of the current shareholders owning directly, or through subsidiary entities, at least 5% of total number of votes. In this connection the number of shares presented in the table was fixed by dividing by 8 (proportion of the re-split is 8 to 1) and rounding up to the integer the number of shares owned by individual Shareholders about whom the Company had information on the day of starting the share re-split process.

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

All shares in the Company are ordinary shares providing no special rights.

6.8. Specification of any restrictions on voting rights

Resolutions at the General Meeting of Shareholders are adopted by an absolute majority of the votes cast, with the exception of the resolutions concerning:

- 1) liquidation of the Company;
- 2) increasing the share capital of the Company, remission of shares in the Company and decreasing the share capital of the Company;
- 3) issuing convertible bonds or other securities giving their holder voting rights;
- 4) granting options with rights to take up shares or other securities of the Company and determining the terms of such options;
- 5) cancellation of Shareholders' pre-emptive rights with regard to newly issued shares;
- 6) sale of the enterprise or an organised part thereof;
- 7) dismissing or suspending members of the Management Board or Supervisory Board;
- 8) merger between the Company and another company, division and transformation of the Company;
- 9) cancellation of the dematerialisation of shares in the Company;
- 10) changes to the Statute;

are adopted by a majority of 2/3 (two-thirds) of votes cast, or by a greater majority if the required by relevant provisions. Apart from the above restrictions and those following from the commonly applicable regulations, the Company's internal acts do not introduce any additional restrictions.

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

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

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

Pursuant to the Company's Statute, the Management Board is appointed and recalled by a resolution adopted by the Supervisory Board subject to: (i) change of the Article 13.1, 13.4 of the Statute, (ii) change of respective law regulations, (iii) election of the Supervisory Board in the manner defined in the Article 385 paragraph 5 and (or) 6 of the Commercial Companies Code, the main shareholder COMSA is not able to appoint such number of the Supervisory Board members which would constitute the majority of its members, COMSA is entitled to appoint or dismiss the members of the Management Board in the number of 50% of all members of the Management Board (rounded down to an integer) and additional one member of the Management Board. In case that the number of members of the Management Board appointed by COMSA ceases to constitute the majority of the members of the Management Board, the resolution of the General Meeting on dismissal or suspension a member (members) is adopted by a majority of 2/3 of

votes cast. The Management Board members are appointed for a period of a 3-year mutual term of office. The Supervisory Board sets and changes remunerations and determines other terms and conditions of employment of the Management Board members. Pursuant to the Statute, the Management Board manages the Company's affairs and represents the Company in external relationships. The Management Board has the authority to decide on matters which have not been reserved for competences of the General Meeting of Shareholders or the Supervisory Board. Two Management Board members acting jointly or one Management Board member together with the authorised signatory [prokurent] are authorised to make representations and to sign documents on behalf of the Company. An attorney is authorised, pursuant to a resolution adopted by the Management Board, to take certain actions on behalf of the Company (to the extent permitted by the power of attorney). The rules for making decisions on issuing or purchase of shares (increasing or decreasing the share capital) are reserved for the General Meeting, which adopts resolutions on these matters by a majority of 2/3 of votes cast.

6.11. Description of rules for making changes to the Statute of Trakcja PRKił S.A.

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

In the last balance sheet year according to the resolution of the Extraordinary General Meeting as of December 16, 2014 adopted by the required majority of three quarters of votes Article 21 of the Company's Statute concerning the change of the share capital structure was amended. The Extraordinary General Meeting authorized the Supervisory Board to prepare a uniform text of the Company's Statute, which was then adopted by resolution of the Supervisory Board of November 24, 2014.

Warsaw, March 16, 2015

Jarosław Tomaszewski

Acting President of the Board

Marita Szustak

Vice President of the Board

Stefan Dziędziul

Vice President of the Board

Nerijus Eidukevičius

Vice President of the Board

STATEMENT OF THE MANAGEMENT BOARD

According to our best knowledge, the financial statements of Trakcja PRKiI S.A. for the period January 1, 2014 – December 31, 2014, and comparable data for the period January 1, 2013 – December 31, 2013, were prepared in accordance with applicable accounting rules and give a true, fair and clear view of the material and financial position and financial performance of the Company. The Report of the Management Board on the Issuer's activity gives a true picture of the development and achievements, risks and threats and situation of Trakcja PRKiI S.A.

We also declare that the entity authorized to audit the financial statements, which audited the annual financial statements of Trakcja PRKiI S.A. for the 12 months ended December 31, 2014 – Deloitte Polska Spółka z ograniczoną odpowiedzialnością was selected in accordance with the law. This entity and the auditors who performed the audit met the conditions for an impartial and independent opinion on the audit, in accordance with applicable regulations and professional standards.

Jarosław Tomaszewski

Acting 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

Warsaw, March 16, 2015



TRAKCJA PRKiI S.A.

ANNUAL FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR
ENDED ON DECEMBER 31, 2014

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENT

The Management Board of Trakcja PRKił S.A. has approved the financial statement of Trakcja PRKił S.A. for the period from January 1, 2014 to December 31, 2014.

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

1. Profit and loss account for the period from January 1, 2014 to December 31, 2014 showing net profit amounting PLN **49,797** thousand.
2. Total income report for the period from January 1, 2014 to December 31, 2014 showing total income amounting PLN **48,356** thousand.
3. Balance sheet as per December 31, 2014 showing the assets and liabilities in amount of PLN **1,072,553** thousand.
4. Cash flow statement for the period from January 1, 2014 to December 31, 2014 showing the decrease of cash balance by PLN **19,631** thousand.
5. Balance of changes in equity for the period from January 1, 2014 to December 31, 2014 showing the increase of equity by PLN **47,267** thousand.
6. Additional information and explanations.

The annual financial statement is prepared in thousand Polish Zloty, except the items showing expressly otherwise.

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

Jarosław Tomaszewski
Acting 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

Warsaw, March 16, 2015

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PROFIT AND LOSS ACCOUNT

	Note	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
		Audited	Modified*
Continued operations			
Sales revenues	12	966 084	752 473
Cost of goods sold	13	(866 472)	(709 587)
Gross profit (loss) on sales		99 612	42 886
Cost of sales, marketing and distribution		(717)	(2 712)
General and administrative costs		(32 635)	(28 941)
Other operating revenues	14	853	17 184
Other operating costs	15	(10 113)	(1 927)
Operating profit (loss)		57 000	26 490
Financial revenues	16	16 592	3 616
Financial costs	17	(14 328)	(15 147)
Gross profit (loss)		59 264	14 959
Income tax	18	(9 467)	9 849
Net profit (loss) from continued operations		49 797	24 808
		-	-
Discontinued operations			
Net profit (loss) from discontinued operations		49 797	24 808
Net profit/(loss) in PLN per one share	20		
– basic from profit for the period		0,97	0,51
– basic from profit from continued operations		0,97	0,51
– diluted from profit for the period		0,97	0,51
– diluted from profit from continued operations		0,97	0,51

Modified*) Details are described in Notes 9 and 10 to this financial statement.

Additional information and explanations to the annual financial statement represent its integral part

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	1.01.2014 - 31.12.2014	1.01.2013 - 31.12.2013
		Audited	Modified*
Net profit (loss) for the period		49 797	24 808
Other total income for the period			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	18.2	(1 441)	5 723
Profit from revaluation referred into revaluation reserve		-	7 041
Actuarial gains/(losses)		(1 441)	(1 318)
Total other comprehensive income		(1 441)	5 723
TOTAL INCOME FOR THE PERIOD		48 356	30 531

Modified*) Details are described in Notes 9 and 10 to this financial statement.

Additional information and explanations to the annual financial statement represent its integral part

BALANCE SHEET

ASSETS	Note	31.12.2014	31.12.2013	1.01.2013
		Audited	Modified*	Modified*
Non-current assets		603 625	606 212	597 623
Tangible non-current assets	21	113 429	100 555	101 864
Intangible assets	23	59 205	59 085	58 296
Investment properties	22	17 602	25 699	11 122
Investment in entities	24	382 090	383 289	384 627
Investments in affiliates	25	2 008	2 008	2 008
Other financial assets	27	9 482	8 259	19 754
Deferred tax assets	18.3	19 020	26 436	17 711
Prepayments	28	789	881	2 241
Current assets		468 928	478 363	244 942
Inventory	29	19 719	42 191	38 432
Trade and other receivables	30	380 808	357 465	100 094
Income tax receivables		-	1 849	586
Other financial assets	27	25 828	24 491	7 019
Cash and cash equivalents	31	14 113	33 744	48 763
Prepayments	28	2 897	3 841	4 101
Construction contracts	32	25 563	14 782	45 947
Total assets		1 072 553	1 084 575	842 565
EQUITY AND LIABILITIES				
Equity	34	581 244	533 977	408 849
Share capital		41 120	41 120	23 211
Basic conditional capital		-	-	18 545
Due payments for basic capital (negative value)		-	-	(18 545)
Share premium		309 984	310 102	231 813
Revaluation reserve		12 604	13 597	8 175
Other capital reserves		167 739	144 350	204 451
Retained earnings		49 797	24 808	(58 801)
Total equity		581 244	533 977	408 849
Long-term liabilities		59 984	97 576	63 929
Interest-bearing loans and borrowings	36	32 907	19 260	22 064
Bonds	37	-	49 926	12 913
Provisions	35	1 638	1 223	1 052
Liabilities due to employee benefits	40	9 851	9 227	8 854
Provision for deferred tax	18.3	15 588	17 796	19 046
Derivative financial instruments	39	-	144	-
Short-term liabilities		431 325	453 022	369 787
Interest-bearing loans and borrowings	36	15 769	106 683	25 127
Bonds	37	32 360	-	147 761
Trade and other liabilities	41	286 185	266 383	170 178
Provisions	35	9 309	11 637	5 253
Liabilities due to employee benefits	40	6 944	6 633	6 030
Income tax liabilities		2 473	-	-
Other financial liabilities	38	38 338	34 718	-
Accruals		7	6	-
Construction contracts	32	39 940	26 962	15 438

Modified*) Details are described in Notes 9 and 10 to this financial statement.

Additional information and explanations to the annual financial statement represent its integral part

CASH FLOW STATEMENT

	Note	Financial year ended	
		31.12.2014	31.12.2013
		Audited	Modified*
<i>Cash flows from operating activities</i>			
Gross profit from continued operations		59 264	14 959
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		32 193	(74 110)
Depreciation		11 647	10 315
FX differences		(118)	290
Net interest and dividends		(3 314)	10 574
Profit on investment activities		7 544	(10 166)
Change in receivables		(23 375)	(257 646)
Change in inventory		18 881	(3 759)
Change in liabilities, excluding loans and borrowings		22 009	129 419
Change in prepayments and accruals		1 038	1 626
Change in provisions		(1 911)	6 554
Change in construction contracts		2 196	42 690
Change in financial derivatives		(144)	-
Income tax paid		628	(2 358)
Other		(2 888)	(1 649)
Net cash flows from operating activities		91 457	(59 151)
<i>Cash flows from investment activities</i>			
Sale (purchase) of intangible assets and tangible non-current assets		(8 334)	816
- acquisition		(9 364)	(6 147)
- sale		1 030	6 963
Financial assets		708	(6 993)
- granted or acquired		3 306	9 559
- repaid		(2 598)	(16 552)
Loans		(1 200)	1 900
- repaid		-	4 000
- granted		(1 200)	(2 100)
Dividend received		14 986	1 000
Interest received		121	133
Net cash flows from investment activities		6 281	(3 144)
<i>Cash flows from financial activities</i>			
Net proceeds from issue of shares		(18 541)	(14 040)
Proceeds on account of taken borrowings and loans		29 400	168 397
Repayment of borrowings and loans		(112 673)	(92 209)
Interest paid		(11 312)	(11 159)
Payment of liabilities under financial lease agreements		(4 243)	(3 658)
Other		-	(55)
Net cash flows from financial activities		(117 369)	47 276
Total net cash flows		(19 631)	(15 019)
Net FX differences		-	-
Cash at start of period		33 744	48 763
Cash at end of period	31	14 113	33 744
- with limited access		981	912

Modified*) Details are described in Notes 9 and 10 to this financial statement.

Additional information and explanations to the annual financial statement represent its integral part

STATEMENT OF CHANGES IN THE EQUITY

	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium	Revaluation reserve	Other reserve capitals		Retained earnings	Total equity
						Actuarial gains/ (losses)	Results from previous years		
Modified*									
As at 1.01.2014	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	-	-	-	-	-	-	-	49 797	49 797
Other comprehensive income	-	-	-	-	-	(1 441)	-	-	(1 441)
Losses cover	-	-	-	-	-	-	24 808	(24 808)	-
Other changes	-	-	-	(118)	(993)	-	22	-	(1 089)
As at 31.12.2014	41 120	-	-	309 984	12 604	(4 106)	171 845	49 797	581 244
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

Modified*) Details are described in Notes 9 and 10 to this financial statement.

Additional information and explanations to the annual financial statement represent its integral part

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

This financial statement includes the period of the financial year that ended on December 31, 2014 and comparable data.

Trakcja PRKił S.A. ("the Company", "Trakcja PRKił") 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 the Extraordinary Shareholders' 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. Trakcja S.A. operates on the basis of the statute 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 merger of Trakcja Polska S.A. as a taking-over company with Przedsiębiorstwo Robót Komunikacyjnych-7 S.A. – as a company being taken-over. The merger of the companies has been settled and included on August 31, 2009 in the accountancy books of the company, to which the property of the merged companies passed to, i.e. Trakcja Polska S.A. by means of shares bonding method. The actual merger of the companies, according to IFRS 3 took place at the moment of taking over the control, i.e. on September 1, 2007.

On June 22, 2011, 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 Polska S.A. to Trakcja - Tiltra S.A. The above change was registered pursuant to Resolution no. 3 adopted by the Extraordinary Shareholders' 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 Shareholders' Meeting on December 12, 2012.

On December 19, 2013, the District Court for the capital city Warsaw in Warsaw, 12th Economic Division of the National Court Register registered the merger Trakcja S.A. as the acquiring company with Przedsiębiorstwo Robót Kolejowych i Inżynierskich S.A. as the acquired company. The merger was settled 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, 13th Economic Division of the National Court Register registered the change of name of the Company from Trakcja S.A. to Trakcja PRKił S.A. This change was registered under Resolution No. 6 of the Extraordinary Shareholders' Meeting of November 27, 2013.

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

The Company's seat is located in Warsaw at Złota 59 str., 18th floor.

Time of the Company's operation is indefinite.

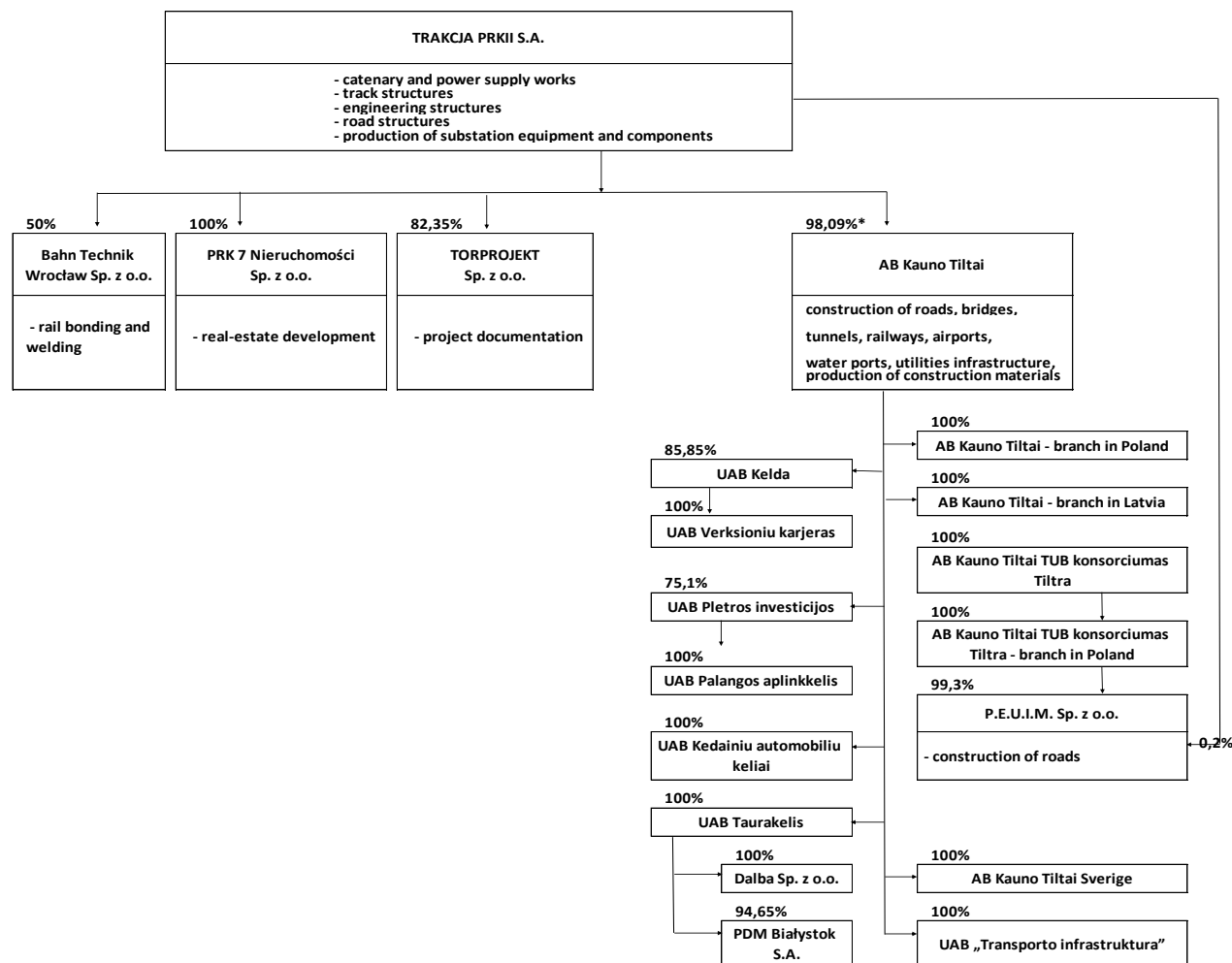
According to the Statute, the Company is engaged in specialist construction and installation services within the scope of railway and tram lines electrification. The Company specializes in the following types of activity:

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

- specialist equipment services (excavators, railway and truck cranes, boring rigs, pile drivers),
- construction of bridges, viaducts, overpasses, culverts, tunnels, subways, roads and associated rail and road infrastructure.

2. Composition of the Group

Trakcja PRKił S.A. is the Parent company of Trakcja Group. The composition and structure of the Trakcja Group as at December 31, 2014 is presented below in the following diagram:



*) Trakcja PRKil SA has a total of 98.09% of the share capital of the subsidiary AB Kauno Tiltai (96.84% directly and 1.25% indirectly). The indirect share results from the acquisition of own shares by a subsidiary.

Additional information and explanations to the annual financial statement represent its integral part

Trakcja Group is composed of Trakcja PRKiI S.A. as the Parent company, subsidiary companies and Bahn Technik Wrocław Sp. z o.o. company recognized as a joint venture in accordance with IFRS 11.

The companies that are included in full consolidation are:

PRK 7 Nieruchomości Sp. z o.o.

PRK 7 Nieruchomości Sp. z o.o. is in a broad meaning a developer company with several successful investments like Osiedle Lazurowe in Warsaw – phase I and phase II, Oliwska street in Warsaw investment and construction of five multi-family buildings at Pelczynskiego street. Currently the company is carrying out the investment of building of the terraced houses at Oliwska Street in Warsaw.

Torprojekt Sp. z o.o.

Torprojekt Sp. z o.o. with seat in Warsaw has been founded in 2009. The company prepares comprehensive design documentation: feasibility studies, concept studies, basic projects including construction projects, tender materials and detailed designs in the following branches: railway lines, stations, passenger stops and loading points, bridges, viaducts, controlling devices of railway traffic, buildings and constructions together with technology, etc.

AB Kauno Tiltai Group

AB Kauno Tiltai is the largest company operating in the road and bridge construction sector in the Baltic countries. The company is specialized in the construction and re-construction of roads, bridges, tunnels, railway lines, airport and water ports which is confirmed by the fact that since the beginning of its operations in 1949 AB Kauno Tiltai has constructed more than 100 bridges and viaducts and was responsible for construction and re-construction of many roads in the whole territory of Lithuania.

AB Kauno Tiltai with seat in Kaunas is a subsidiary company of the Parent company Trakcja PRKiI and at the same time is the parent company of AB Kauno Tiltai Group.

AB Kauno Tiltai Group is composed of the following entities:

- UAB Kelda – a subsidiary company with seat in Vievis, which is the parent company of
 - UAB Verkisioniu (Lithuania);
- UAB Taurakelis – a subsidiary company with Taurage (Lithuania) which is the parent company of UAB Taurakelis Group and does not prepare the consolidated financial statement. This Group is included in consolidation at the level of Trakcja Group. Other entities that are in the UAB Taurakelis Group are:
 - Dalba Sp. z o.o. – a subsidiary company with seat in Białystok;
 - PDM Białystok S.A. – a subsidiary company with seat in Białystok;
- UAB Kedainiu Automobiliu Keliai – a subsidiary company with seat in Kedainiai (Lithuania);
- UAB Verkisioniu karjeras – a subsidiary company with seat in Bagoteliu K (Lithuania);
- TUB Konsorciumas Tiltra – a subsidiary company with seat in Kaunas (Lithuania);
- UAB Pietros investicijos – a subsidiary company with seat in Vilnius (Lithuania);
- UAB Palangos aplinkkelis – a subsidiary company with seat in Vilnius (Lithuania) founded to carry out the agreement of public-private partnership;
- AB Kauno Tiltai office in Poland – a subsidiary company with seat in Vilnius (Lithuania);
- AB Kauno Tiltai office in Latvia – a subsidiary company with seat in Rezekne (Latvia);
- AB Kauno Tiltai Sverige – a subsidiary company with seat in Malmo (Sweden);
- UAB “Transporto infrastruktura” – a subsidiary company with seat in Vilnius (Lithuania);
- Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. („PEUiM”) – a subsidiary company, operating in the road construction sector which activity concentrates in the north-eastern region of Poland. PEUiM company

Additional information and explanations to the annual financial statement represent its integral part

has been founded in 1960 in Białystok. The company specializes in the construction of roads, pavements, installation of signalling and warning equipment that protect roads. Additionally, the company manufactures bitumen mass, concrete and other construction materials.

The following entities are consolidated by equity method:

Bahn Technik Wrocław Sp. z o.o.

Trakcja PRKił is the owner of 50% of equity of Bahn Technik Wrocław Sp. z o.o. ("BTW"). Other 50% of equity is owned by company of Deutsch law with business name of Leonhard Weiss GmbH & Co with seat in Göppingen. The Company is co-controlling BTW and classifies the company as joint venture in accordance with IRFS 11. The scope of activity of BTW includes the sale of vehicular service type Strail of Gummiwerk Kraiburg Elastik GmbH, thermite welding, repair and renovation of crossovers, renovation of railway and tramway crossings, production of isolated glue-tensed joints of S type, sale of welding materials of Railtech company, sale of rail oilers of Perker SR company. BTW provides its services in Poland and abroad.

The parent company of the highest level is the Spanish company COMSA S.A. which prepares the consolidated financial statement that also includes data of Trakcja Group.

3. Composition of the Management

As at December 31, 2014, the Management Board of the Company consisted of the following persons:

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

By virtue of resolutions no. 15-19 of the Supervisory Board as of May 15, 2014 the above mentioned persons were appointed for a new joint three-year term of office. With effect from June 12, 2014 due to termination of a three-year term of the Management Board, Mr Tadeusz Kałdonek ceased to perform a function of the Vice President of the Management Board.

On December 31, 2014 Mr Stefan Dziedziul and Mrs Marita Szustak made a statement of resignation from the performed function of the member of the Management Board with effect of termination as of March 31, 2015.

On February 19, 2015 Mr Roman Przybył resigned for personal reasons from the function of the President of the Management Board of Trakcja PRKił. Due to resignation of Mr Roman Przybył, the Supervisory Board entrusted Mr Jarosław Tomaszewski, the previous Financial Director and the Vice President, with the duties of the President of the Management Board.

On February 19, 2015 the Supervisory Board of the Company acknowledged the statement of withdrawal of resignation from the performed function of the Management Board's member made by Mrs Marita Szustak.

At the date of approval of this financial statement, i.e. on March 16, 2015 the Management Board of the Company consisted of the following persons:

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

4. Composition of the Supervisory Board

As at December 31, 2014, the Supervisory Board of the Company consisted of the following persons:

- | | | |
|------------------------------|---|---|
| • Maciej Radziwiłł | – | Chairman, |
| • Julijus Stalmokas | – | Deputy Chairman of the Supervisory Board, |
| • Jorge Miarnau Montserrat | – | Deputy Chairman of the Supervisory Board, |
| • Miquel Llevat Vallespinosa | – | Member of the Supervisory Board, |
| • Wojciech Napiórkowski | – | Member of the Supervisory Board, |
| • Fernando Perea Samarra | – | Member of the Supervisory Board, |
| • Andrzej Bartos | – | Member of the Supervisory Board. |

Within the period from January 1, 2014 to December 31, 2014 and after the balance sheet date, the Supervisory Board composition did not change.

5. Approval for publication of the annual financial statement

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

6. Significant values based on professional judgment and estimates

Within the process of application the accountancy principles (policy), the most important issues are the book estimates, the assumptions made and the professional judgment of the management. The assumptions and estimates are based on the historical experience and the factors that are considered to be reasonable. The results of assumptions and estimates are the basis for the professional judgment about related balance sheet values of assets and liabilities. Estimates and assumptions related with them are verified as at the balance sheet date. Despite the fact, that these estimates are based on the best knowledge of current conditions and actions, the actual results may differ from these estimates.

In case that a given transaction is not regulated by any standard or interpretation, the Management Board uses its subject assessment when applying the accounting policies that will ensure that the financial statement will contain relevant and reliable information and will:

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

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

6.1. Professional judgment

Fair value of financial instruments

Fair value of the financial instruments for which active market does not exist, are estimated by means of appropriate valuation methods. When selecting the adequate methods and assumptions, the Company follows its professional judgement. Applied assumptions are presented in Note 44 of Additional information and explanations.

Classification of leasing agreements

The Company classifies leasing as operational or financial, based on the assessment of the scope in which risk and benefits resulting from possession of the object of leasing are assigned to the lessor or the lessee. This assessment is based on the economic content of each transaction. Additional information was presented in Notes 8.2.4, 42 and 43.

Investment property

The Company classifies real estate as a category of tangible fixed assets or investment property depending on their planned use by the Company.

Recognition and loss of control over related entities

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

Classification of mutual contractual arrangements

The Company defines whether it itself exercises co-control and defines the kind of mutual agreement in which is involved by assessing its rights and duties resulting from the arrangement and by taking into account the structure and legal form of such an arrangement and terms of the agreement agreed by the parties. The Company classified its shareholdings in Bahn Technik Wrocław Sp. z o.o. as a joint venture according to IFRS 11.

Control over related entities

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

Trakcja PRKił is the owner of 100% of share capital of PRK 7 Nieruchomości Sp. z o.o. and is exercising the full control over this subsidiary. Trakcja PRKił S.A. company became the owner of PRK 7 Nieruchomości Sp. z o.o. due to merge of Trakcja S.A. and PRK 7 S.A. company that it was the owner of PRK 7 Nieruchomości Sp. z o.o.

Trakcja PRKił is the owner of 82.35% of share capital of Torprojekt Sp. z o.o. and is exercising the full control over this subsidiary. Trakcja PRKił S.A. company became the owner of Torprojekt Sp. z o.o. due to the purchase of shares.

Trakcja PRKił is the owner of 98.09% of share capital of AB Kauno Tiltai and is exercising the full control over this subsidiary. Trakcja PRKił company became the owner of AB Kauno Tiltai due to the purchase of shares. AB Kauno Tiltai is at the same time the parent company of AB Kauno Tiltai Group. The composition of the Group and percent of owned shares was presented in Note 2 concerning the composition and structure of the Group.

6.2. Uncertainty of assumptions and estimates

Recognition of revenues

In order to maintain a relatively stable margin in all reporting periods within which a contract is in force, the Company uses the cost method of revenue recognition ("cost plus"). The revenue from execution of construction and installation services are actual costs incurred increased by the assumed margin on the given contract. The Company makes regular analysis and, if necessary, verifies assumed margins on individual contracts. The value of revenues from sales in case of contracts in foreign currency depends on the directions of shaping the currency exchange rate.

Provisions for correction works

Provisions for correction works were estimated on the basis of knowledge of the managers of individual construction sites (contracts) about necessity or probable possibility of execution of additional works for the employer that constitute the fulfilment of the guarantee's conditions. The Company is obliged to provide

guarantee for its services. The amount of reserves for correction additional works depends on the segment in which the Company operates and is based on the Company's historical data. This amount is analyzed in each individual case and may be increased or decreased when justified. Any change of these estimates influences the value of provision. The balance sheet value of provisions for correction works as at December 31, 2014 is presented in Note 35 of Additional information and explanations.

Provisions for penalties

The Company recognizes provisions for penalties in the executed contracts in the amount possible and probable to incur. The reserves are created on the basis of the documentation made during the execution of the contract and the opinion of the lawyers who participate in the negotiations and who estimate possible future Company's liabilities on the basis of progress of negotiations. The balance sheet value of reserves for penalties as at December 31, 2014 is presented in Note 35 of Additional information and explanations.

Valuation of liabilities due to employee benefits

Liabilities due to employee benefits concerning retirement severance payments and jubilee awards were estimated based on actuarial methods. Value of the liability depends on numerous factors, which are used as assumptions in the actuarial method. One of the basic assumptions for determining the amount of the liability is the discount rate and the average expected increase of salaries. Applied assumptions and the balance sheet value of liabilities due to employee benefits as at December 31, 2014 is presented in Note 40 of Additional information and explanations.

Component of deferred tax assets

The Company recognizes a component of deferred tax assets on the basis of 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 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 experience. Probability of realizing the asset due to deferred income tax with future tax profits is based on the Company's budgets. The Company recognized in the books the asset due to deferred income tax up to the amount, to which it is probable that it will generate taxable profit, which will allow offsetting negative temporary differences. The balance sheet value of deferred tax asset as at December 31, 2014 is presented in Note 18.3 of Additional information and explanations.

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. Every year the Company performs verification of the adopted periods of economical usability based on the current estimations.

Investment property

Investment property is valued at fair value. Valuations of investment property were prepared by independent experts with current qualifications to perform such valuations. The selection of the approach and the method was driven by principles defined in the IFRS 13, Act on real properties management and in the Regulation of the Council of Ministers on detailed rules of valuation of real properties and on the rules and mode of preparing appraisal reports. Valuation of fair value of investment property was subject to such valuation techniques that maximize the use of observable data. The balance sheet value of investment property as at December 31, 2014 is presented in Note 22 of Additional information and explanations.

Impairment of financial assets

When assessing whether the financial assets have not lost their value, the available and commonly applied methods of valuation were used and the Company's financial cash flows forecasts referring to the possessed assets were taken into account.

Approach to the investment in AB Kauno Tiltai

The Company does not perform identification of the cost of investment in the individual companies within the investment made on April 19, 2011 that concerned the acquisition of shares of several companies, i.e. AB Kauno Tiltai, Lithold AB and Silentio Investments Sp. z o. o., which took place within one common agreement for

the entire transaction. The above agreement sets out the total mode of payment for the whole package of the acquired companies, thereby defining the total purchase price of the whole package companies and not for each separate company. The Management Board sees no practical possibility of dividing the purchase price paid. The Company performs an annual impairment test of the investment as a whole. The balance sheet value of the investment in AB Kauno Tiltai as at December 31, 2014 is presented in Note 24 of Additional information and explanations.

Impairment of inventory

The Management Board assesses whether there are prerequisites indicating a possibility of an impairment of inventory pursuant to Note 8.7. Stating of an impairment requires estimation of the net values possible to obtain for inventory, which lost its utility attributes or usability. Additional information is presented in Note 29.

Recoverability 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 through performing a write-down while considering the degree of probability of their payment. 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's behavior while considering also other factors that in the Management Board's opinion can affect recoverability of current receivables. Additional information is presented in Note 30.

Valuation of fair value and procedures related to such valuation

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

7. Basis for preparing the annual financial statement

The annual financial statement has been prepared according to the historical cost principle except for the participation units of investment funds, derivative financial instruments and investment property. The balance sheet value of the recognized securities of assets and liabilities is adjusted for the changes in fair value which can be attributed to risk against which the assets and liabilities are secured.

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

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

The annual financial statement has been made assuming the continuity of economic operations of the Company in the foreseeable future. At the day of approving this financial statement, there are no circumstances threatening the operations of the Company.

7.1. Declaration of conformity

The annual financial statement was prepared according to the International Financial Reporting Standards (IFRS) approved by the European Union, published and applicable as at December 31, 2014. The standards which did not come into force on December 31, 2014 and were not approved by the European Union at the day of preparing this financial statement are presented in Note 9.

IFRS cover the standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee ("IFRIC").

7.2. Currency of measurement and currency of financial statements

The currency of measurement of the Company and the reporting currency in this annual financial statement is Polish Zloty (PLN, zł).

8. Significant accountancy principles

8.1. Conversion of item to foreign currency

Functional currency of the Company is Polish Zloty.

Transactions expressed in currencies other than Polish Zloty are converted to Polish Zloty using the exchange rate applicable at the transaction day.

At the balance sheet date, cash assets and liabilities expressed in currencies other than Polish Zloty are converted to Polish Zloty using the average exchange rate for the given currency, applicable at the end of the reporting period and announced by Narodowy Bank Polski [The National Bank of Poland]. The exchange rate differences resulting from the conversion are properly posted in the financial incomes (costs) item.

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

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

Exchange rate on the reporting date	31.12.2014	31.12.2013	31.12.2012
USD/PLN	3,5072	3,0120	3,4174
EUR/PLN	4,2623	4,1472	4,4168
LTL/PLN	1,2344	1,2011	1,2792

8.2. Tangible fixed assets

8.2.1. Fixed assets

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

Fixed assets (excluding own lands that do not serve for output of minerals using open pit methods) are amortized using the linear method within the period of expected economic life. The period of expected economic life of each asset is specified at the day of taking over the asset for use. Fixed assets used on the basis of the lease, rent agreement, etc. where the depreciation expenses are made by the user, are amortized within the period of expected economic life or within the period for which the agreement is concluded, depending on whichever is shorter. The fixed assets which are not handed over directly for use, but requiring previous assembling, adaptation, other additional works or efforts, are included in the fixed assets in progress until their transfer for use.

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

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

Periods of economic life of fixed assets accepted in the Company are as follows:

- computers	3 years
- tools and instrumentation	5 years
- on-ground tanks	22 years
- boilers, furnaces	from 14 to 25 years

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- metalworking machines	from 5 to 14 years
- compressor sets	from 10 to 20 years
- power devices	10 years
- means of transportation	7 years
- heavy duty construction machines	from 5 to 16 years
- small equipment and machines	7 years
- technological wagons	from 14 to 20 years
- storage, workshop, utility wagons	from 14 to 20 years
- storage, utility containers	from 5 to 25 years
- passenger vehicles and trucks (up to 3.5 t)	from 5 to 7 years
- trucks (above 3.5 t)	from 5 to 10 years
- office and utility camp	from 10 to 20 years

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

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

8.2.2. Fixed assets in progress

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

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

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

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

8.2.3. Right of perpetual usufruct of land

The Company has the right of perpetual usufruct of land ("PWUG"). The Company classifies lands on the basis of the way this right has been obtained:

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

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

8.2.4. Leasing

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

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

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

8.2.5. Shares in subsidiary entities

Shares in subsidiary entities are recognized at the purchase price decreased by possible allowances for impairment. Necessity to make allowances for impairment is assessed in line with IFRS 36 Impairment of Assets by comparing the balance sheet value with higher of two amounts: fair value decreased by costs of sale and use value.

8.2.6. Impairment of non-financial assets

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

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

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

8.2.7. Costs of external financing

Costs of external financing related to the acquisition, construction or production of the adapted components of assets, are capitalized by the Company within the scope of cost of this assets component according to IAS 23. All other external financing costs are posted at the moment of payment.

8.3. Investment property

The Company's investment property comprise investments in buildings and land held to generate income from lease or due to the expected increase of their value. Initially, investment property acquired in a separate

transaction are valued at purchase prices with consideration of the costs of transaction. In other cases, e.g. purchase during transaction of takeover of another business entity, they are initially recognized at fair value.

After initial recognition, all investment property is presented at fair value.

The Company estimates the value of investment property as at December 31 on the basis of the valuation prepared on that day by the independent valuer. In the course of the year, at the next balance sheet dates, that is at March 31, June 30 and September 30 the Company makes analysis of premises relating to the possibility to change fair value.

Determination of fair value can consist of:

- revaluation on the basis of valuation performed by an independent valuer with recognized and adequate professional qualifications and experience in valuation of properties with location and characteristics similar to the valued property;
- analysis of data collected from the active market of current market prices of similar investment property with similar location and in comparable state.

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

A change of fair value of investment property that takes place during the year is presented in the profit and loss statement. In case of moving a component of the Company's assets from fixed assets to investment property, the difference between valuation at fair value and at the balance sheet value of such component is recognized as other total income, and any later changes – in the profit and loss statement.

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

8.4. Intangible assets

Intangible assets acquired within the scope of separate transaction are included in the balance sheet according to the purchase price. Intangible assets acquired within the scope of the takeover of an economic entity, are included in the balance sheet according to fair value at the day of the takeover. After initial posting, intangible assets are shown at the purchase price or at cost of manufacturing reduced by depreciation and impairment loss.

Outlays paid for intangible assets produced within own scope, except for the activated outlays for R&D works, are not activated and are posted in the costs of the period in which they were incurred.

Intangible assets of limited lifetime are amortized throughout the use period and are subject to tests related to value loss whenever there are premises that indicate such value loss. Period and method of amortization of intangible assets of a limited lifetime are verified at least at the end of each financial year. Changes in the expected period of use or expected method of consuming economic benefits resulting from the given assets component are included either by means of change of the period or method of amortization and are treated as changes of estimated values. The amortization expense of intangible assets components of a limited lifetime is included in the profit and loss account in the category corresponding to the function of the given component of intangible assets.

Intangible assets of an indefinite lifetime and those which are not used, are being annually verified for possible value loss in relation to individual assets or to cash generating units.

8.4.1. Cost of research and development work

The costs of research works are included in the profit and loss account at the moment they are paid. Outlays paid for the development works performed within the given task are transferred to the following period, if it is expected that they can be recovered in the future. After initial posting of outlays for development works, the model of historical costs is applied, which requires that assets components are posted according to the purchase

prices reduced by the cumulated amortization and by cumulated write-downs resulting from value loss. Any outlays transferred to the following period are amortized within the expected period of receiving revenues from sales coming from the given task.

Each year costs of development works are subject to evaluation for possible value loss - if an asset component has not yet been put into use - or more frequently, if during the reporting period, there appears a premise of value loss indicating that their balance sheet value might not be recoverable.

At each balance sheet date, costs of not finished development work, are presented among intangible assets as separated item "Intangible assets in progress".

Summary of principles applied to the intangible assets of the Company, is as follows:

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

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

8.4.2. Goodwill

The goodwill resulting from the takeover of an economic entity is initially posted according to the purchase price representing the surplus of costs of merging economic units over the share of the taking-over entity in fair value net of possible-to-identify assets, liabilities and conditional liabilities. After the initial posting, goodwill is disclosed according to the purchase price reduced by any cumulated write-downs made due to value loss. The test for value loss is carried out once a year or more frequently, if any premises exist. The goodwill is not subject to amortization.

At the day of takeover, the goodwill is allocated to each cash generating unit ("CGU") that can benefit from the merger synergy. Each CGU or group of CGUs which are assigned with the goodwill should:

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

Loss of value is set by estimating the recoverable value of the cash generating units, to which the given goodwill was allocated. In case that recoverable value of the cash generating units is lower than the balance sheet value, write-down for impairment due to loss of value is made. In case that the goodwill represents a part of the cash generating unit and part of activity (business) of this unit will be sold, while establishing profits or losses on sale of such business, the goodwill related to the sold business shall be included in its balance sheet value. In such circumstances, the sold goodwill is established on the basis of relative value of sold business and of the value of its retained part.

8.5. Financial instruments

The financial assets can be classified into the following categories:

- financial assets kept until maturity,
- financial assets assessed at fair value by the financial result,
- loans and receivables,
- financial assets available for sale.

The financial liabilities are classified as follows:

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

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

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

Loans and liabilities are financial assets not included in derivative instruments, of fixed or possible-to-fix payments, that are not quoted at the active market. The loans granted are included at the amortized cost. They are included in current assets unless their maturity exceeds 12 months since the balance sheet date. Loans and liabilities of maturity exceeding 12 months since the balance sheet date are included in fixed assets.

The remaining financial assets are the financial assets available for sale. The financial assets available for sale are posted at fair value without deducting transaction costs and with consideration of market value at the balance sheet date. In case of absence of the exchange quotation at the active market and if it is not possible to reliably specify their fair value by use of alternative methods, the financial assets available for sale are assessed at the purchase price corrected by write-down for impairment, if they were assessed in historical values.

Positive and negative difference between fair value and the purchase value - after reduction by the deferred tax of assets available for sale (if exists the market price set at the controlled active market or whose fair value can be set in other reliable manner) - is included in the reserve capital from the revaluation. Drop in value of assets available for sale caused by loss of value is included at the profit and loss account as the financial cost.

The derivative instruments, which are not specified as security instruments, are classified as financial assets or liabilities assessed at fair value by the financial result and are recognized in fair value with the effect of assessment included in the profit and loss account.

The Company concludes contracts with investors, subcontractors and suppliers which are denominated in foreign currencies. The terms of these contracts meet the criteria of built-in derivative instruments. Due to the fact that the concluded contracts (which are not the financial instruments) are expressed in currencies in which contracts for supply of specified goods or services are commonly concluded at the national market, the Company does not perform assessment of the built-in financial instruments separately from the main contract. Component of the financial assets is included in the balance sheet when the Company becomes a party to the contract, from which the assets component comes from.

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

Purchase and sale of the financial assets are recognized at the moment of concluding the transaction. At the moment of the initial posting, they are assessed at the purchase price, i.e. at fair value that includes transaction costs.

Impairment of financial assets

At each balance sheet date, the Company evaluates whether exist impartial premises of value loss by the financial asset component or by group of financial assets. When these premises exist, the Company performs test of impairment of financial assets. Negative result of the test is included in the result of the period.

Financial liabilities

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

Financial liabilities assessed at fair value by the financial result

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

Within the Company, the financial liabilities assessed at fair value by the financial result include derivative instruments (the Company does not apply the hedge accounting) of negative fair value. Liabilities included in the financial liabilities assessed at fair value, are assessed at each reporting date at fair value and all profits or losses are included in incomes or losses from operational activity. Assessment of the derivative instruments at fair value is performed at the balance sheet date and at each end of the reporting period on the basis of the assessments performed by the banks realizing the transactions. Fair value of the debt instruments is represented by the future cash flows discounted at the current market interest rate adequate for similar instruments.

Financial liabilities assessed at amortized cost

The remaining financial liabilities, not included in the financial liabilities assessed at fair value by the financial result, are included in the financial liabilities assessed at amortized cost. In this category, the Company includes mostly trade liabilities as well as taken credits and loans, leasing and factoring liabilities and bonds. Liabilities included in this category are assessed at amortized cost by using the effective interest rate.

8.6. Derivative financial instruments

The derivative financial instruments used by the Company in order to hedge the risk related to currency exchange rate differences, are in particular forward foreign exchange contracts. These derivative financial instruments are assessed at fair value. The derivative instruments are posted as financial assets (when their value is positive) and as financial liabilities (in case their value is negative).

Profits and losses from fair value change of the derivative instruments, which do not meet the conditions that allow application of special principles of hedging accountancy, are directly posted in the profit and loss account.

Fair value of forward foreign exchange contracts is set by referencing to current exchange rates with fixed date (forward) used in case of contracts with similar maturity.

8.7. Inventory

Inventory is assessed at the purchase price or at the manufacturing cost which are not higher than their sale achievable price as at the balance sheet date.

The manufacturing cost does not include the following costs:

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

Inventory expense is assessed respectively at prices (costs) of these assets components, which the entity purchased (manufactured) earlier by applying FIFO (First-In-First-Out) method.

The write-downs on the inventory made in relation to permanent loss of value or caused by assessment adjusting their value to achievable sales price, reduce the item balance sheet value and are included in the cost of sales. These are specific write-downs related to the given items of the inventory.

Regardless of the specific write-downs mentioned above, at each balance sheet date, write-downs relating to the whole slow-moving inventory are made in accordance with the following formula:

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

General write-downs reduce also the inventory value in the balance sheet and are included in the cost of goods sold. Inversion of the write-downs on the inventory value is posted as a reduction of cost of goods.

Achievable sale price is the estimated sale price received during the usual business which is reduced by the costs of finishing and by estimated costs that are necessary to complete the sale.

8.8. Trade receivables and other receivables

Trade receivables with usual maturity of 30 days are included and disclosed in initially invoiced amounts, with consideration of the write-downs made on the bad debt value. In case the money time value is important, value of receivables is set by discounting the expected future cash incomes to the present value by using the discount rate reflecting the actual market estimation of the value of money in time. If the method of discounting is applied, the increase of receivables value in time is included as financial incomes.

In case the receivables are threatened, disputable, asserted in court, vindicated or doubtful due to any other reasons, specific write-downs are created. They are created in full amount of the receivables value and reduced by fair value of possessed reliable securities. The write-down of doubtful receivables value is estimated at the moment when vindication of the whole amount is no longer probable. Particularly, receivables outstanding for more than 180 days are considered doubtful. Bad receivables are included in the costs at the moment they are considered uncollectable. The write-downs on receivables reduce their the balance sheet value and are included in the cost of goods sold or in the financial costs, depending on the type of receivable that are written-off. Inversion of the write-downs on the receivables value is treated as the reduction of cost of goods sold.

8.9. Cash and cash equivalents

Cash and short-term investment shown in the balance sheet include cash in bank and in cash register and short-term investments of initial maturity not exceeding three months.

8.10. Equity

Equities are posted in the accountancy books and classified by types and according to principles stipulated by the law and the Statute of the Company.

Share capital is presented at nominal value, in the amount in conformity with the Statute of the Company and entry to the commercial register.

Declared, but not paid-in capital is included as due contributions to capital. Own shares and due contributions to capital reduce the value of equity of the Company.

Capital reserves are created according to rules of the commercial law, that require that equity is increased by at least 8% of the profit in the given financial year, until the reserve capital reaches at least one-third of the initial capital.

Capital from sale of shares above their nominal value is created from the issue price surplus over their nominal value.

Costs of shares issue incurred while establishing the joint stock company or while increasing the initial capital, reduce the share premium to the amount of issue surplus over the nominal value of shares.

The other capital reserves include:

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

Retained earnings include the profit of the current reporting period.

8.11. Interest-bearing bank credits, loans and debt securities

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

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

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

Profits and losses are posted in the profit and loss account at the moment of removing the liability from the balance sheet and also as a result of adding the write-off.

8.12. Liabilities from supplies and services and other liabilities

Short-term trade payables are posted in the amount that is required to be paid. The financial liabilities which are not financial instruments assessed at fair value by the financial result, are assessed according to the amortized cost by using the method of effective interest rate.

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

8.13. Provisions

The provisions are created when the Company is burdened with an obligation (legal or customary) resulting from the past events, and when it is probable that meeting this obligation shall cause the outflow of economic benefits and when it is possible to estimate reliably the amount of this liability. If the Company expects that cost covered by the reserve shall be returned, for example on the basis of the insurance contract, then such return is included as a separate component of assets, but only when it is practically certain that the return actually will take place. The costs related to the given reserve are posted in the profit and loss account after reduction by all returns.

In case the value of money in time influence is important, value of reserve is set by discounting the expected future cash incomes to the present value by using the gross discount rate which reflects the current market estimation of the value of money in time and of possible risk related to the given liability. If the method of discounting is applied, the increase of reserve related with the flow of time is included in financial costs.

8.13.1. Severance payments and jubilee awards

According to the company remuneration system, employees of the Company are entitled to jubilee awards and severance payments. The jubilee awards are paid to the employees who worked for the definite number of

years. The severance payments are one-time payments made at the moment in which an employee retires. The amount of severance payments and jubilee awards depends on the seniority and on the average remuneration of an employee. The Company creates a reserve for future liabilities for severance payments and jubilee awards in order to assign costs to periods which they relate to. According to IAS 19, the jubilee awards are other long-term employee benefits while severance payments are programs of specified benefits after the employment period. Present value of these liabilities at the balance sheet date is calculated based on commonly accepted actuarial methods. Accrued liabilities are equal to the discounted payments which shall be made in the future considering the employment turnover and relate to the period until the balance sheet date. Demographic information and information of employment turnover is based on the historical data. Actuarial gains and losses from the valuation of the pension benefits and jubilee awards are recognized in other comprehensive income in the period in which they arise. Other costs relating to defined benefit plans are recognized one time in profit or loss in the period in which they arise.

8.14. Prepayments and accruals

Prepayments and accruals include in particular:

- rents paid in advance,
- insurances,
- subscriptions,
- periodical repairs,
- outsourced services paid in advance that will be performed in the future periods.

Write-offs of active prepayments and accruals take place appropriately to the flow of time or to the amount of benefit. Time and method of settlement is justified by the character of settled costs, and this settlement must be cautious.

In case of prepayments and accruals belonging to the future periods, settlement of which will not be completed within 12 next months since the balance sheet date, such settlements are presented as a separate item in the balance sheet and this item relates to the long-term prepayment and accruals.

8.15. Incomes and costs

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

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

In the operational incomes, the effect of assessment and of currency transaction realization is presented that secure the long-term construction contracts concluded in foreign currency.

8.15.1. Sale of goods and products

The incomes are posted if the significant risk and benefits resulting from the property right to the goods and products were passed on to the purchaser and when the amount of incomes can be reliably assessed. The Company performs construction works on the basis of the contracts concluded by the Consortium, part of which it composes. Entries of the majority of the concluded contracts include clauses that show a leading and unlimited role of the Company as a Consortium leader. In relation to the above, the Company recognizes all incomes paid by the Ordering Party.

8.15.2. Performing services of the railway construction

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

Progress set according to the above mentioned manner is used to specify the sale value in relation to the incomes value resulting from the stipulations of the concluded contract. Difference between the set (booked)

sales value and the value invoiced to the service receivers is included in the item "Construction contracts", respectively in assets (in case of positive difference) or in liabilities (in case of negative difference).

If the degree of non-completion of service cannot be reliably set at the balance sheet date, the income is fixed as the amount of costs incurred within the given reporting period, not higher however than costs, compensation of which in the future by the Ordering Party is probable.

In case when it is probable that total costs of execution of the contract will exceed the total incomes from the contract, the expected loss is posted as the cost of the period in which it was revealed.

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

The Company executes some contracts within the framework of the consortium agreements on the basis of which the Company performs the role of a consortium leader. The Company – in line with the meaning of IFRS 11 - does not include in the profit and loss account part of incomes and costs which refers to consortium partners.

At the same time the Company includes in the balance sheet only that part of assets and liabilities which corresponds to the Company's share in the co-controlled activity.

Principles of calculating the set revenues on sale:

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

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

$$Su = K/(1-m)$$

where:

Su – set (established) sale

K – incurred actual costs

m – assumed margin (as %) for the given contract, resulting from the prepared costs budget

Incomes established for the contracts settled in Euro are calculated according to the following principles:

Margin (%) in case of contracts in Euro is calculated every month and it is a function of PLN / EUR exchange rate calculated based on the following formula:

$$M = (Pp - Kp)/Pp$$

where:

Pp – conversion incomes

Kp – conversion costs

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

$$Pp = Pz + Pf * krPLN/EUR$$

where:

Pz – incomes booked in Polish Zloty

Pf – incomes to be invoiced in Euro in the future

krPLN/EUR – average Euro exchange rate at the end the given month (announced by the National Bank of Poland)

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

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

where:

Kz – costs booked in Polish Zloty

Kf PLN – costs to be invoiced in Polish Zloty in the future

Kf EUR – costs to be invoiced in Euro in the future

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

8.15.3. Interests

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

8.15.4. Dividends

Dividends are posted at the moment of establishing the rights of shareholders to receive such dividends.

8.16. Taxes

8.16.1. Current tax

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

8.16.2. Deferred tax

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

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

- except for the situation where the reserve for deferred tax is created as a result of the initial posting of the goodwill or the initial posting of assets component or liability in case of transaction that does not represent the merger of economic entities and which at the moment of its conclusion does not influence neither the gross financial result nor the taxable income or tax loss and
- in case of positive temporary differences resulting from the investment in subsidiaries or affiliated entities and from shares in joint ventures – except for the situation when the dates of inverting the temporary differences are under investor's control and when it is probable that in the predictable future, the temporary differences will not be inverted.

Assets resulting from the deferred tax are posted in relation to all negative temporary differences as well as in relation to the unused tax assets and unused tax losses that were transferred to the next years. These assets are posted only in the amount in which it is probable that the taxable income that will be achieved will allow to use the above mentioned differences, assets and losses:

- except for the situation when the assets resulting from the deferred tax related to negative temporary differences are created as a result of the initial posting of the assets component or liability in case of transaction that does not represent the merger of economic entities and at the moment of its conclusion the assets influence neither the gross financial result nor the taxable income nor tax loss and
- in case of negative temporary differences resulting from the investment in subsidiaries or affiliated entities and from shares in joint ventures, the deferred tax assets component is posted in the balance sheet only in the amount in which it is probable that in the predictable future the above mentioned temporary differences will be inverted and the achievable taxable income will allow to deduct negative temporary differences.

The balance sheet value of the assets component from the deferred tax is verified at each balance sheet date and is subject to adequate reduction by amount resulting from the decrease of probability to achieve taxable income which is sufficient to execute partially or completely the deferred tax assets component.

Assets from the deferred income tax and the reserve for the deferred tax are assessed by using the tax rates which - according to expectations - shall be in force in the period when the assets component will be executed

or reserve solved, taking as the basis the tax rates (and tax regulations) applicable at the balance sheet date or which applicability in the future is certain at the balance sheet date.

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

The Company offsets the deferred income tax assets and deferred income tax reserves only when it possesses the executable legal right to perform offset of receivables and reserves of current tax and the deferred income tax is related to the same taxpayer and the same tax authority.

8.17. Goods and services tax

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

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

The net amount of the goods and services tax that is recoverable or payable to the tax authorities is posted in the balance sheet as part of receivables or liabilities.

8.18. Net profit per share

Net profit per share for every period is calculated by dividing net profit for the given period by the weighted average number of shares in the given reporting period. Diluted net profit per share for every period is calculated by dividing net profit for the given period by the sum of weighted average number of ordinary bearer shares in the given reporting period and of all dilutive potential shares.

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

9. New standards and interpretations

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

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

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

- *IFRS 9 Financial instruments*

The new standard was published on July 24, 2014 and applies to annual periods starting from January 1, 2018 or later. The purpose of the standard is to clarify the classification of financial assets and to introduce uniform rules on the approach to the assessment of impairment in regard to all financial instruments. The standard also introduces a new model of hedge accounting in order to unify the rules of including risk-management information in financial statements.

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

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

- *IFRS 14 Regulatory deferral accounts*

The new standard was published on January 30, 2014 and applies to annual periods starting from 01 January 2016 or later. The new standard is temporary due to the pending works of the IASB on regulating the manner of settling operations in price regulation conditions. The standard introduces the rules for recognizing assets and liabilities arising in connection with price-regulated transactions if the given entity decides to shift to IFRS.

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

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

- *IFRS 15 Revenue from Contracts with Customers*

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

At the day of preparing this financial statement, it was not possible to reliably estimate the influence of new standard application. The Company commenced the analysis of the effects of implementing the new standard.

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

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

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

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

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

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

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

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

- *Changes to IAS 19 Employee Benefits*

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

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

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

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

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

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

The changes in IFRS 11 were published on May 6, 2014 and apply to annual periods starting from January 1, 2016 or later. The purpose of changes is to present detailed guidelines to explain the manner of recognizing the transaction of acquisition of interests in joint operations, which constitute an arrangement. Changes require application of rules identical to the rules applied for mergers.

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

The application of the new standards will not materially influence the financial statements of the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes to IFRS 10 and IAS 28 were published on September 11, 2014 and apply to annual periods starting on January 1, 2016 or later. Changes further specify the accounting for transactions, where the parent company loses control over the subsidiary, which does not constitute a "business" pursuant to the definition in IFRS 3 "Business Combinations", by way of a sale of all or some of the interests in such subsidiary from the associate or a joint venture, recognized pursuant to the equity method.

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

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

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

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

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

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

- *Amendments to IAS 1: Disclosure Initiative*

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

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

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

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

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

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

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

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

- IFRS 9 *Financial Instruments* published on July 24, 2014;
- IFRS 14 *Regulatory Deferral Accounts* published on January 30, 2014;
- IFRS 15 *Revenue from Contracts with Customers* published on May 28, 2014;
- Changes to IFRS 11 *Acquisition of an interest in a joint operation* published on May 6, 2014;
- Changes to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization* published on May 12, 2014;
- Changes to IAS 16 and IAS 41 *Agriculture: Living Plants* published on June 30, 2014;
- *Changes to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2012-2014)* published on September 25, 2014;
- Amendments to IAS 27: *Equity Method in Separate Financial Statements* published on August 12, 2014;
- Amendments to IFRS 10 and IAS 28 *Sales or contributions of assets between an investor and its associate/joint venture* published on September 11, 2014;
- Amendments to IAS 1: *Disclosure Initiative*;
- Amendments to IFRS 10, IFRS 12, and IAS 28: *Investment Entities: Applying the Consolidation Exception*.

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

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

▪ Changes resulting from IFRS changes

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

- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*;
- IFRS 12 *Disclosure of Interest in Other Entities*;
- IAS 27 *Separate Financial Statements*;
- IAS 28 *Investments in 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 Company'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 Ventures, 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.

Trakcja PRKil owns 50% of the share capital of Bahn Technik Wrocław Sp. z o.o. ("BTW"). The remaining 50% is owned by a German company under the name of Leonhard Weiss GmbH & Co, based in Göppingen. The Company has joint control over BTW. Due to the application of a new standard, the Company has classified BTW, as a joint venture consolidated in the financial statements using equity method. The impact of this standard on the Company's financial statements related only to presentation adjustment in the balance sheet of Trakcja PRKil at December 31, 2013 and on January 1, 2013. Investment in BTW in the amount of PLN 2,008 thousand was presented under the heading "investments accounted for using equity method" (prior to adoption: under the heading "Investment in subsidiaries").

- *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 Company's financial statements.

- *IAS 27 Separate Financial Statements*

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

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

- *IAS 28 Investments in associates and joint ventures*

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

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

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

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

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

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

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

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

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

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

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

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

Changes were published on May 29, 2013 and apply to annual periods starting from January 1, 2014 or later. Changes result in a modification of the scope of disclosures regarding impairment of the value of non-financial assets; amongst others, they require disclosing the recoverable value of the asset (cash-generating units) only in the periods, when the impairment or its reversal was recognized in regard to the given asset (or unit). 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 Company's financial statements.

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

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

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

▪ **Changes introduced independently by the Company**

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

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

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

As a result of the analysis of the content of consortium agreements, the Company 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 Company's net profit for the year 2013 in the amount of PLN 1,246 thousand. As a result of this change, the Company's revenues from sale for the year 2013 decreased by PLN 235,440 thousand and cost of goods sold decreased by PLN 233,902 thousand.

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

Details of consortium agreements are included in note 26.

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

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

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

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

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

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

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

Change has a negative impact on the Company's net profit for the 2013, amounting to (negative) PLN 166 thousand and the Company's equity value presented in the balance sheet as at December 31, 2013 in the negative amount of PLN 1,715 thousand, and as at January 1, 2013 in the negative amount of PLN 1,548 thousand. The above mentioned changes in the statement of financial position as at December 31, 2013 and as at January 1, 2013 are presented in the tables on the following pages.

Employee benefits costs' presentation change

The Company changed the presentation of costs of employee benefits, which have so far been presented in other operating activity. After change the Company 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 Company. In accordance with IAS comparable data were changed.

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

BALANCE SHEET	31.12.2013 Published data	Perpetual usefruct of land off-balance sheet recognition	Perpetual usefruct of land depreciation	Elimination of amounts attributable to consortium partners	31.12.2013 Modified data
Tangible non-current assets	103 775	(1 567)	(344)	-	101 864
Trade and other receivables	126 418	-	-	(26 324)	100 094
Construction contracts	46 768	-	-	(821)	45 947
Total assets	871 621	(1 567)	(344)	(27 145)	842 565
Total equity	411 062	(1 269)	(279)	(665)	408 849
Provision for deferred tax	19 565	(298)	(65)	(156)	19 046
Trade and other liabilities	196 502	-	-	(26 324)	170 178
Total equity and liabilities	871 621	(1 567)	(344)	(27 145)	842 565

BALANCE SHEET	1.01.2013 Published data	Perpetual usefruct of land off-balance sheet recognition	Perpetual usefruct of land depreciation	Elimination of amounts attributable to consortium partners	1.01.2013 Modified data
Tangible non-current assets	102 643	(1 567)	(521)	-	100 555
Deferred tax assets	26 090	-	-	346	26 436
Trade and other receivables	420 897	-	-	(63 432)	357 465
Construction contracts	15 317	-	-	(535)	14 782
Total assets	1 150 284	(1 567)	(521)	(63 621)	1 084 575
Total equity	537 603	(1 269)	(446)	(1 911)	533 977
Provision for deferred tax	18 271	(298)	(75)	(102)	17 796
Trade and other liabilities	329 815	-	-	(63 432)	266 383
Construction contracts	25 138	-	-	1 824	26 962
Total equity and liabilities	1 150 284	(1 567)	(521)	(63 621)	1 084 575

The following is a summary of the cumulative effect of the changes described above, the individual elements of the profit and loss account of Trakcja PRKił for the 12 months of 2013.

PROFIT AND LOSS ACCOUNT	1.01.2013 - 31.12.2013 Published data	Employee benefits costs presentation change	Perpetual usefruct of land depreciation	Elimination of amounts attributable to consortium partners	1.01.2013 - 31.12.2013 Modified data
Sales revenues	987 913	-	-	(235 440)	752 473
Cost of goods sold	(945 063)	1 574	-	233 902	(709 587)
Gross profit (loss) on sales	42 850	1 574	-	(1 538)	42 886
Cost of sales, marketing and distribution	(2 741)	29	-	-	(2 712)
General and administrative costs	(28 363)	(401)	(177)	-	(28 941)
Net result from other operating activity	16 459	(1 202)	-	-	15 257
Operating profit (loss)	28 205	-	(177)	(1 538)	26 490
Net result from other financial activity	(11 531)	-	-	-	(11 531)
Gross profit (loss)	16 674	-	(177)	(1 538)	14 959
Income tax	9 546	-	11	292	9 849
Net profit	26 220	-	(166)	(1 246)	24 808
Net profit/(loss) in PLN per one share					
– basic from profit for the period	0,54	-	(0,00)	(0,03)	0,51
– basic from profit from continued operations	0,54	-	(0,00)	(0,03)	0,51
– diluted from profit for the period	0,54	-	(0,00)	(0,03)	0,51
– diluted from profit from continued operations	0,54	-	(0,00)	(0,03)	0,51
STATEMENT OF TOTAL COMPREHENSIVE INCOME	1.01.2013 - 31.12.2013 Published data	Employee benefits costs presentation change	Perpetual usefruct of land depreciation	Elimination of amounts attributable to consortium	1.01.2013 - 31.12.2013 Modified data
Net profit (loss) for the period	26 220	-	(166)	(1 246)	24 808
Total other comprehensive income	5 723	-	-	-	5 723
TOTAL INCOME FOR THE PERIOD	31 943	-	(166)	(1 246)	30 531

In the published financial statements for the year 2013 "profit (loss) per share" was different than in the table above due to the resplit process in relation8: 1.

Additional information and explanations to the annual financial statement represent its integral part

11. Selected financial data converted to Euro

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

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

* Average of exchange rates in force on the last day of each month in the given financial year.

Basic balance sheet items in conversion to Euro:

	31.12.2014		31.12.2013	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	603 625	141 619	606 212	146 174
Current assets	468 928	110 018	478 363	115 346
Total assets	1 072 553	251 637	1 084 575	261 520
Equity	581 244	136 369	533 977	128 756
Long-term liabilities	59 984	14 073	97 576	23 528
Short-term liabilities	431 325	101 195	453 022	109 236
Total equity and liabilities	1 072 553	251 637	1 084 575	261 520

When converting the data of the balance sheet, the exchange rate fixed by Narodowy Bank Polski [*The National Bank of Poland*] on the last day of the financial year was adopted.

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

	For the period of 12 months ended 31.12.2014		For the period of 12 months ended 31.12.2013	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	966 084	230 608	752 473	178 692
Cost of goods sold	(866 472)	(206 830)	(709 587)	(168 508)
Gross profit (loss) on sales	99 612	23 778	42 886	10 184
Operating profit (loss)	57 000	13 606	26 490	6 291
Gross profit (loss)	59 264	14 147	14 959	3 552
Net profit (loss) from continued operations	49 797	11 887	24 808	5 891
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	49 797	11 887	24 808	5 891

When converting the data of the profit and loss account, average Euro exchange rate was adopted, calculated as the arithmetical average of rates in force on the last day of each month within the given financial year, fixed by Narodowy Bank Polski [*The National Bank of Poland*] on this day.

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

	For the period of 12 months ended 31.12.2014		For the period of 12 months ended 31.12.2013	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	91 457	21 831	(59 151)	(14 047)
Cash flows from investment activities	6 281	1 499	(3 144)	(747)
Cash flows from financial activities	(117 369)	(28 016)	47 276	11 227
Total net cash flows	(19 631)	(4 686)	(15 019)	(3 567)

Additional information and explanations to the annual financial statement represent its integral part

When converting the above data of the cash flow statement, average Euro exchange rate was adopted, calculated as the arithmetical average of rates in force on the last day of each month within the given financial year, fixed by Narodowy Bank Polski [*The National Bank of Poland*] on this day.

	31.12.2014		31.12.2013	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	33 744	8 137	48 763	11 928
Cash at end of period	14 113	3 311	33 744	8 137

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

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

Euro exchange rate on the last day of the financial year that ended on December 31, 2013 amounted to PLN 4.4168.

12. Revenues from sale

	Financial year ended	
	31.12.2014 Audited	31.12.2013 Modified
Sales revenues		
Revenues from sale of construction services	942 889	707 167
Revenues from sale of goods and materials	1 046	9 833
Revenues from sale of other products and services	22 149	35 473
Total	966 084	752 473

	Financial year ended	
	31.12.2014 Audited	31.12.2013 Modified
Sales revenues		
Contracts	942 889	707 167
Other sales	23 195	45 306
Total	966 084	752 473

	Financial year ended	
	31.12.2014 Audited	31.12.2013 Modified
Cost of goods sold		
Contracts	834 441	669 247
Other sales	32 031	40 340
Razem	866 472	709 587

	Financial year ended	
	31.12.2014 Audited	31.12.2013 Modified
Sales margin		
Contracts	108 448	37 920
Other sales	(8 836)	4 966
Total	99 612	42 886

13. Cost of operations

Costs by type:

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Depreciation	11 647	10 315
Consumption of materials and energy	260 081	243 834
External services	521 534	386 276
Taxes and charges	2 885	2 901
Payroll	81 444	71 939
Social security and other benefits	18 313	17 344
Other types of costs	16 778	9 584
Total costs by type	912 682	742 193
Change in inventories, products and prepayments	(1 409)	7 605
Cost of manufacture of products for the entity's own needs (negative value)	(12 431)	(18 185)
Cost of sales, marketing and distribution (negative value)	(717)	(2 712)
General and administrative costs (negative value)	(32 635)	(28 941)
Manufacturing cost of products sold	865 490	699 960
Value of materials and goods sold	982	9 627
Cost of goods sold	866 472	709 587

Costs of remunerations and other employee benefits:

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Costs of payroll and employment termination benefits	82 735	73 141
Social security costs	14 117	12 226
Provisions for retirement pay and disability benefits	1 179	(37)
Provision for jubilee awards	(3 075)	(1 325)
Provision for unused leaves	605	160
Provision for bonuses	-	-
Employee benefits under Employee Pension Program	144	580
Other employee benefits	4 052	4 538
Total	99 757	89 283

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

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

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

	Financial year ended	
	31.12.2014 Audited	31.12.2013 Modified
Items recognised in cost of goods sold		
Depreciation of fixed assets	10 342	8 653
Amortisation of intangible assets	750	276
Total	11 092	8 929
Items recognised in cost of sales, marketing and distribution		
Depreciation of fixed assets	-	24
Amortisation of intangible assets	-	20
Total	-	44
Items recognised in general and administrative costs		
Depreciation of fixed assets	520	1 242
Amortisation of intangible assets	35	100
Total	555	1 342
Depreciation of fixed assets	10 862	9 919
Amortisation of intangible assets	785	396
Total	11 647	10 315

14. Other operating incomes

	Financial year ended	
	31.12.2014 Audited	31.12.2013 Modified
Investment property valuation	-	4 148
Received penalties and fines	14	129
Donations received	-	243
Reimbursed costs of litigious proceedings	-	21
Redeemed liabilities	-	6 225
Profit on sale of non-financial non-current assets	568	6 023
Other	271	395
Total	853	17 184

The Company has made on December 31, 2013 a revaluation of investment property and recognized the positive impact on the result in the amount of PLN 4,148 thousand. Details on valuation of investment property are presented in Note 22.

In 2013 the value of revenues from redeemed liabilities presented in 2013 other operational income amounted to PLN 6,225 thousand and results from the agreement concluded with the contractor.

In 2013 the Company recognized a gain in the amount of PLN 5,566 thousand resulting from the sale of part of the property located at Oliwska Street and of real estate at Górczewska Street in Warsaw qualified as tangible fixed assets.

15. Other operating costs

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Established provisions for liabilities	1 100	-
Investment property valuation	8 097	-
Paid penalties, fines, compensations	-	219
Litigation costs paid	174	37
Donations made	57	33
Inventory shortages	6	-
Value of liquidated non-financial assets	15	117
Value of liquidated inventory	-	115
Reorganization costs of the production division	298	533
Depreciation of inventories held for sale	-	156
Written-off receivables	139	-
Costs of concluding the agreement related to redeemed liability	-	640
Other	227	77
Total	10 113	1 927

The Company updated as of December 31, 2014 the value of investment property and included the negative impact in the amount of PLN 8,097 thousand on the Company's result. Details on the valuation of the investment property are presented in Note 22.

16. Financial incomes

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Financial revenues from interest, including:	1 439	1 534
- bank interest	1 439	1 324
- interest on receivables	-	200
- other	-	10
Income from received dividends	14 824	1 000
Profit from exchange rate differences	114	53
Financial revenues from participation in guarantee costs	83	-
Reversal of provisions for interest on liabilities	-	866
Other	132	163
Total	16 592	3 616

17. Financial costs

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Financial costs on account of interest, including:	10 802	12 402
- interest on loans and borrowings	4 398	6 292
- on liabilities	120	359
- on leasing	959	771
- on bonds	3 421	4 425
- on liability from employee benefits	445	555
- on factoring	1 384	-
- other	75	-
Costs associated with redemption of bonds before maturity	724	-
Costs associated with converting bonds into shares (non-cash)	-	702
Factoring related costs	949	837
Revaluation write-offs on bonds	251	271
Financial commission costs	919	649
Financial expenses due to write-downs of receivables' interest	-	64
Loss on valuation of forward contracts	356	144
Other financial costs	327	78
Total	14 328	15 147

18. Income tax**18.1. Current income tax**

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Gross profit	59 264	14 959
<i>Differences between gross profit (loss) and income tax base (by title)</i>		
- temporary differences, including:	16 276	35 557
depreciation and amortisation	(1 954)	(3 023)
revaluation write-offs	1 446	(593)
change in provisions	(3 506)	5 977
valuation of investment properties at fair value	8 097	(4 148)
valuation of construction contracts	2 121	49 803
accrued interest	(813)	(1 423)
accrued exchange differences	(11)	(226)
provision for losses on contracts	-	(345)
remuneration unpaid	176	(23)
non-tax costs relating to long-term contracts	11 878	(10 307)
other	(1 158)	(135)
- permanent differences, including:	(9 435)	1 913
received dividends	(14 824)	(1 000)
contributions to PFRON (National Disabled Persons Rehabilitation Fund)	716	731
donations made	42	28
budget interest	1	8
insurance and membership fees	223	276
VAT difference	1	119
the cost of the contract dispute	1 100	-
revaluation write-offs	1 994	-
other	1 312	1 751
Taxable income	66 105	52 429
Deductions from income	(46 666)	(46 666)
- tax loss from previous years	(46 666)	(46 666)
Income tax base	19 439	5 763
Income tax at 19% rate	3 693	1 095

Additional information and explanations to the annual financial statement represent its integral part

Income tax shown in the income statement and regarding discontinued operations:

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Income tax shown in income statement regarding discontinued operations	-	-

Income tax in the profit and loss account:

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Current income tax:	3 693	1 095
- current income tax charge	3 693	1 095
Deferred tax:	5 774	(10 944)
- related to increase and decrease in temporary differences	5 774	(6 756)
- revaluation of deferred tax assets	-	(4 188)
Total	9 467	(9 849)

Reconciliation of effective interest rate:

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

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Gross profit	59 264	14 959
Income tax at applicable income tax rate of 19%	11 260	2 842
Revaluation of deferred tax assets	-	(13 054)
Tax costs not constituting accounting costs	(1 066)	(536)
Tax revenues not constituting accounting revenues	(2 882)	(492)
Non-tax costs constituting accounting costs	2 155	1 391
Income tax at effective tax rate of -16% (2013: -66%)	9 467	(9 849)

18.2. Income tax recognized in other comprehensive income

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Profit from revaluation referred into revaluation reserve		
Gross amount	-	8 693
Tax	-	(1 652)
Net amount	-	7 041
Actuarial gains/(losses)		
Gross amount	(1 779)	(1 627)
Tax	338	309
Net amount	(1 441)	(1 318)

The income tax included in other comprehensive income:

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Deferred tax:	(338)	1 342
- related to increase and decrease in temporary differences	(338)	1 342
Total	(338)	1 342

18.3. Deferred income tax

Dates of execution of deferred tax assets and deferred tax liability:

Deferred tax asset	31.12.2014	31.12.2013
	Audited	Modified
with a duration of more than 12 months after the financial year	2 752	2 629
with a duration of up to 12 months after the financial year	16 268	23 807
Total	19 020	26 436

Provisions for deferred tax	31.12.2014	31.12.2013
	Audited	Modified
with a duration of more than 12 months after the financial year	3 035	4 090
with a duration of up to 12 months after the financial year	12 553	13 706
Total	15 588	17 796

As of December 31, 2014 the Company settled fully the deferred tax asset from tax loss in the amount of PLN 8,867 thousand. The Company does not have any unrecognized asset due to deferred income tax from tax loss.

Deferred tax assets:

Title of temporary differences	1.01.2013 Modified	Increase / Decrease	31.12.2013 Modified	Increase / Decrease	31.12.2014 Audited
Provision for bonuses	200	115	315	693	1 008
Provision for the audit	43	(22)	21	(10)	11
Provision for correction works	695	146	841	9	850
Provision for losses on contracts	66	(66)	-	-	-
Provisions for retirement and pensions	581	53	634	262	896
Provision for jubilee awards	1 532	102	1 634	(211)	1 423
Provision for unused leaves	726	30	756	116	872
Provision for commissions	141	(141)	-	-	-
Valuation allowance for trade receivables	-	536	536	-	536
Valuation allowance for other current assets	229	(117)	112	302	414
Unrealized foreign exchange losses	81	(55)	26	(11)	15
Accrued interest on liabilities	194	(109)	85	33	118
Valuation of bonds	250	(210)	40	17	57
Interest on receivable write-offs	11	5	16	(11)	5
Non-tax costs related to ongoing long-term contracts	4 370	(1 959)	2 411	2 251	4 662
Surplus of invoiced revenues over actual revenues - valuation of long-term contracts	3 224	5 123	8 347	(775)	7 572
The positive difference between the balance sheet depreciation and the tax depreciation	161	54	215	(151)	64
Tax loss	4 679	4 188	8 867	(8 867)	-
Unpaid wages and unpaid social security contributions	197	(4)	193	38	231
Provision for costs	-	1 167	1 167	(1 157)	10
Others	331	(111)	220	56	276
Total deferred tax asset, including	17 711	8 725	26 436	(7 416)	19 020
influence on net profit	17 395	8 416	25 811	(7 754)	18 057
influence on equity	316	309	625	338	963

Additional information and explanations to the annual financial statement represent its integral part

Provisions for deferred tax:

Title of temporary differences	1.01.2013 Modified	Increase / Decrease	31.12.2013 Modified	Increase / Decrease	31.12.2014 Audited
Surplus of actual revenues over invoiced revenues - valuation of long-term contracts	10 368	(4 340)	6 028	(1 178)	4 850
The negative difference between the balance sheet depreciation and the tax depreciation	3 718	567	4 285	302	4 587
Unrealized foreign exchange profits	31	(13)	18	(9)	9
Interest accrued on deposits, on financial assets	112	162	274	165	439
The right to perpetual usufruct	819	(43)	776	(11)	765
Revaluation of fixed assets to fair value	2 236	(329)	1 907	(228)	1 679
Investment property fair value adjustment	1 417	2 427	3 844	(1 538)	2 306
Other	345	319	664	289	953
Total deferred tax liability, including	19 046	(1 250)	17 796	(2 208)	15 588
influence on net profit	15 991	(2 527)	13 464	(1 981)	11 483
influence on equity	3 055	1 277	4 332	(227)	4 105

Additional information and explanations to the annual financial statement represent its integral part

19. Discontinued operations

In 2014 and 2013 no discontinued operations occurred.

20. Profit (loss) per one share

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Net profit (loss) from continued operations	49 797	24 808
Net profit for financial year	49 797	24 808
Net profit applied to calculate diluted earnings per share	49 797	24 808
Number of issued shares (pcs)	51 399 548	51 399 548
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	51 399 548	48 944 691
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	51 399 548	48 944 691

In 2014 the share re-split in proportion 8 to 1 was effected. Detailed information is presented in Note 34 on equity.

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Profit (loss) per 1 share (in PLN/share):		
- basic	0,97	0,51
- diluted	0,97	0,51

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Profit (loss) from continued operations per 1 share (in PLN/share):		
- basic	0,97	0,51
- diluted	0,97	0,51

21. Tangible fixed assets

Structure of tangible assets:

	31.12.2014	31.12.2013
	Audited	Modified
Fixed assets, including:	103 875	95 579
- land (including right of perpetual usufruct)	16 753	14 721
- buildings, premises, civil and water engineering structures	8 165	5 868
- technical equipment and machines	31 539	30 337
- vehicles	45 421	42 293
- other fixed assets	1 997	2 360
Fixed assets under construction	9 554	4 976
Total	113 429	100 555

Ownership structure of fixed assets:

	31.12.2014	31.12.2013
	Audited	Modified
Proprietary	92 101	83 309
Used on the basis of lease, rental or other agreement, including leasing agreement	21 328	17 246
Total	113 429	100 555

Additional information and explanations to the annual financial statement represent its integral part

Tables of fixed assets movement:

Financial year ended 31.12.2014	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Audited						
Net book value at the beginning of the year	20 589	30 337	42 293	2 360	4 976	100 555
Increases - purchase	1 208	5 143	6 871	116	4 484	17 823
Other increases	-	670	2 256	-	316	3 242
Movements from inventory	3 591	-	-	-	-	3 591
Movements between groups	223	-	-	-	(223)	0
Sale	-	(361)	(114)	-	-	(474)
Liquidation	-	(12)	(395)	(3)	-	(410)
Depreciation	(691)	(4 204)	(5 490)	(476)	-	(10 862)
Other decreases	-	(35)	-	-	-	(35)
Net book value at the end of the year	24 918	31 539	45 421	1 997	9 554	113 429
As at 31.12.2014						
(Gross) cost or value from valuation	30 562	79 958	92 627	8 528	9 554	221 229
Depreciation and impairment write-offs	(5 644)	(48 419)	(47 206)	(6 531)	-	(107 800)
Net book value	24 918	31 539	45 421	1 997	9 554	113 429
Financial year ended 31.12.2013						
Modified						
Net book value at the beginning of the year	24 132	30 195	43 211	2 821	1 505	101 864
Increases - purchase	1	3 819	2 241	60	3 460	9 581
Other increases	-	42	2 178	-	127	2 347
Movements between groups	43	73	-	-	(116)	-
Sale	(581)	(16)	(324)	-	-	(921)
Liquidation	-	(21)	-	(3)	-	(24)
Depreciation	(632)	(3 755)	(5 013)	(518)	-	(9 918)
Other decreases	(2 374)	-	-	-	-	(2 374)
Net book value at the end of the year	20 589	30 337	42 293	2 360	4 976	100 555
As at 31.12.2013						
Modified						
(Gross) cost or value from valuation	27 068	75 937	86 174	8 617	4 976	202 773
Depreciation and impairment write-offs	(6 479)	(45 600)	(43 881)	(6 257)	-	(102 217)
Net book value	20 589	30 337	42 293	2 360	4 976	100 555

On the basis of the right of perpetual usufruct of land, the Company owns lands classified as "Lands, buildings and constructions" category with net value PLN 13,867 thousand (PLN 14,042 thousand as at December 31, 2013)

The Company as a lessee uses – on the basis of the financial lease agreement – the following tangible fixed assets:

As at 31.12.2014	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Audited						
Initial value	-	12 201	14 980	-	-	27 181
Accumulated depreciation	-	(2 759)	(3 094)	-	-	(5 853)
Net book value	-	9 442	11 886	-	-	21 328

Additional information and explanations to the annual financial statement represent its integral part

	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
As at 31.12.2013						
Modified						
Initial value	-	7 317	14 978	-	-	22 295
Accumulated depreciation	-	(1 470)	(3 579)	-	-	(5 049)
Net book value	-	5 847	11 399	-	-	17 246

Information on securities on tangible fixed assets is presented in Note 52.

22. Investment property

	31.12.2014 Audited	31.12.2013 Modified
As at start of period (by type groups) - net value:	25 699	11 122
- land	15 464	7 203
- buildings, premises, civil and water engineering structures	10 235	3 919
Increases:	151	14 577
- land	151	8 261
- revaluation	151	850
- movement from fixed assets	-	7 411
- buildings, premises, civil and water engineering structures	-	6 316
- revaluation	-	3 298
- movement from fixed assets	-	3 018
Decreases	(8 248)	-
- land	(2 083)	-
- revaluation	(2 083)	-
- buildings, premises, civil and water engineering structures	(6 165)	-
- revaluation	(6 165)	-
As at end of period (by type groups) - net value:	17 602	25 699
- land	13 532	15 464
- buildings, premises, civil and water engineering structures	4 070	10 235

The Company recognizes the investment property at fair value. Fair value of investment property as at December 31, 2014 and December 31, 2013 was estimated on the basis of valuation carried out on these days by an independent valuer who is qualified to carry out the appropriate property valuations and has adequate skills to prepare valuations of the investment property as well as has a recent experience in such valuations made in locations where the Company's properties are.

For valuation of buildings classified as the investment property possessed by the Company the cost method was used. In line with IFRS 13 the cost approach reflects the amount which is currently required to reproduce the efficiency of the given assets component (which is often defined as the current cost of reproduction). In many cases the current cost of reproduction method is used to fix fair value of tangible assets which are used together with other assets or with other assets and liabilities. The valuated investment property belongs to the local market's category and value of its construction component is fixed by using the cost approach, by using the replacement cost method with use of ratio technique and integrated elements.

Valuation of fair value of lands belonging to the investment property were carried out by making reference to the market prices of similar properties (the comparative method). The comparative approach is to determine the value of the property with the assumption that the value of valuated property is equal to the price that was obtained for the property that were traded in the market, adjusted due to the differing characteristics of this properties (i.e. location, equipment / condition management, surface) and determined with consideration of changes in the price level as a result of the flow of time. The sensitivity analysis shows that the comparative valuation model is sensitive to changes in prices of real estate similar to those that were taken for the valuation.

The sensitivity analysis shows that the market valuation model is sensitive to the price of real estate similar to those that were taken for valuation while cost valuation model is sensitive to the value of the reproduction cost and to the adopted degree of technical wear.

To determine fair value, the adequate valuation techniques were used. These techniques are adequate to circumstances and case, availability of sufficient data and to maximum use of adequate input data and minimum use of unobservable input data.

The table below presents the impact of unobservable inputs on fair value of the property, depending on the valuation technique used.

Valuation technique used	Unobservable input data	The relationship between the unobservable input data and the fair value
Market approach	Location (40%)	these factors affect the fair value of real estate in the extent shown in brackets
	State of development (40%)	
	Surface (20%)	
	Average market price of comparable real estate	increase in the market price of comparable real estate will increase in the fair value of real estate

During the financial year there has been change in the valuation technique since in the opinion of the Company, the use of the cost method for valuing the buildings, will reflect better their fair value as at December 31, 2014.

To determine fair value of real estate the most beneficial and the best use of real estate approach was taken (which corresponds to the current use of this real estate).

On the basis of the valuation made as at December 31, 2014 the decrease of the investment property by the amount of PLN 8,097 thousand was found. This amount was included in the other operating costs.

Details of fair value hierarchy as at December 31, 2014 and December 31, 2013 are presented below:

	31.12.2014 Audited	Level 1	Level 2	Level 3
Investment property:	17 602	-	-	17 602
Office property	17 602			17 602
	31.12.2013 Modified	Level 1	Level 2	Level 3
Investment property:	25 699	-	-	25 699
Office property	25 699			25 699

Hierarchy of fair value is as follows:

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

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

Level 3 – prices not from active markets.

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

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

	31.12.2014 Audited	31.12.2013 Modified
As at start of period (Level 3)	25 699	11 122
Movement from fixed assets	-	10 429
Gains/ (losses) recognized in profit and loss account	(8 097)	4 148
As at end of period (Level 3)	17 602	25 699
Unrealised profits (losses) in the period recognised in P&L (as other operating costs)	(8 097)	4 148

Additional information and explanations to the annual financial statement represent its integral part

Rental income and direct operating expenses from investment property were as follows:

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Rental income from investment property	183	299
Direct operating expenses from investment property that during the period generated rental income	272	540
Direct operating expenses from investment property that during the period did not generate rental income	-	-

Information about securities that were made on investment property is presented in Note 52.

23. Intangible assets

Structure of intangible assets:

	31.12.2014	31.12.2013
	Audited	Modified
Research and development costs	3 263	3 960
Goodwill	53 512	53 512
Acquired concessions, patents, licences and similar items of value, including:	366	279
- software	366	279
Intangible assets under construction	2 064	1 334
Total	59 205	59 085

Tables of intangible assets movement:

	Research and develop-ment expenses	Goodwill	Software licences	Intangible assets under construction	Total
Financial year ended 31.12.2013					
Audited					
Net book value at the beginning of the year	3 960	53 512	279	1 334	59 086
Increases	-	-	174	730	904
Amortisation	(697)	-	(87)	-	(785)
Net book value at the end of the year	3 263	53 512	366	2 064	59 205
As at 31.12.2014					
Audited					
(Gross) cost or value from valuation	5 594	53 512	3 731	2 064	64 901
Depreciation and impairment write-offs	(2 331)	-	(3 365)	-	(5 696)
Net book value	3 263	53 512	366	2 064	59 205

Additional information and explanations to the annual financial statement represent its integral part

Financial year ended 31.12.2013 Modified	Research and development expenses	Goodwill	Software licences	Intangible assets under construction	Total
Net book value at the beginning of the year	591	53 512	330	3 862	58 296
Increases	-	-	268	919	1 187
Movements	3 447	-	-	(3 447)	-
Amortisation	(78)	-	(319)	-	(397)
Net book value at the end of the year	3 960	53 512	279	1 334	59 085
As at 31.12.2013					
Modified					
(Gross) cost or value from valuation	5 594	53 512	4 516	1 334	64 956
Depreciation and impairment write-offs	(1 634)	-	(4 237)	-	(5 871)
Net book value	3 960	53 512	279	1 334	59 085

Ownership structure of intangible assets:

	31.12.2014 Audited	31.12.2013 Modified
Proprietary	59 205	59 085
Used on the basis of lease, rental or other agreement, including leasing agreement	-	-
Total	59 205	59 085

In 2014, the Company recognized in the profit and loss account the amount of PLN 697 thousand concerning depreciation of expenditures on R&D works (in 2013: PLN 78 thousand).

Method of determining goodwill and test for value loss

The Company presented at the balance sheet date in the financial statement, goodwill of PLN 53,512 thousand (December 31, 2013: PLN 53,512 thousand), which was included in the balance sheet item – intangible assets. Goodwill results from the acquisition of and merger with PRK 7 SA in 2009 and PRKił S.A. in 2014 and from the acquisition of shares of PRK 7 Nieruchomości.

	31.12.2014 Audited	31.12.2013 Modified
Goodwill from acquisition and merger with PRKił S.A.	2 051	2 051
Goodwill from acquisition and merger with PRK7 S.A.	46 681	46 681
Goodwill from acquisition of shares of PRK 7 Nieruchomości	4 780	4 780
Total	53 512	53 512

Goodwill was generated upon acquisition of PRK 7 S.A. and is included in intangible assets (PLN 46,681 thousand) as well as was generated due to merger with PRKił S.A. and is presented in intangible assets (PLN 2,051 thousand). Goodwill was allocated to the cash generating units ("CGU") which is composed of the following companies: Trakcja PRKił S.A., Torprojekt Sp. z o.o. and Bahn Technik Wrocław Sp. z o.o. As at the balance sheet date goodwill assigned to CGU was subject to an impairment test and on the basis of this test it was found that there are no grounds to make a write-down for impairment. Assumptions used to determine the recoverable amount of the cash generating units are as follows:

- growth rate during the residual period at 2% (December 31, 2013: 2%);
- EBITDA margin between 4.0% and 4.6% (December 31, 2013: 3.1% - 3.4%);
- discount rate before taxation at 10.3% (December 31, 2013: 9.8%).

The calculation of the recoverable value of the cash generating unit is based on the projected cash flows for the period of five years. The Management Board has determined the budgeted margin based on historical results, updated budgets and contracts as well as on its expectations of market development. Average weighted growth

rates are consistent with the forecasts presented in the industry reports. The discount rate used is a pre-tax rate that reflects specific risks not included in the cash flow projections.

The analysis of sensitivity of the recoverable value to the change of individual indicators applied in the impairment test is presented below:

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	12 940	(12 940)
WACC	+/- 0,25%	(8 176)	8 683

Goodwill of PLN 4,780 thousand was assigned to the cash generating units segment, which covers PRK 7 Nieruchomości. As at December 31, 2014 the goodwill impairment test was conducted. The recoverable value of the cash flow generating unit was determined on the basis of its use value, which was determined by using the method of discounted cash flows before taxation. For the purpose of determining the use value, the following parameters were taken: discount rate of 9.8% (December 31, 2013: 9.8%) and growth rate during the residual period equal to long-term inflation at the level of 2% (December 31, 2013: 2%). The use value was determined based on the 5-year forecast of PRK 7 Nieruchomości based on the assumed schedules of investment execution and sale of apartments. Average level of EBITDA margin during the 5-year projection was 11% (as at December 31, 2013: 12%). No goodwill impairment was found on the basis of the test results.

The sensitivity analysis of the recoverable value of the cash generating units to the change of individual indicators used in the impairment test is presented below:

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	908	(908)
WACC	+/- 0,25%	(1 221)	1 295

24. Investments in subsidiaries**As at 31.12.2014**

Company name	Location	Business object	Character of relation/consolidation method	Date of taking control	Value of shares/stocks at acquisition price	Revaluation adjustments	Carrying value of shares/stocks	Percentage of the company share capital held	Share in total no. of votes at GM
PRK 7 Nieruchomości Sp. z o.o.	Warsaw	real estate development activities	subsidiary / full method	01.09.2007	24 721	(8 205)	16 516	100,00%	100,00%
Torprojekt Sp. z o.o.	Warsaw	designing activities	subsidiary / full method	04.11.2010	1 400	-	1 400	82,35%	82,35%
AB Kauno Tiltai	Kaunas	construction and installation activities	subsidiary / full method	19.04.2011	364 109	-	364 109	96,84%	96,84%
PEUiM Sp. z o. o.	Białystok	construction and installation activities	subsidiary / full method	5.06.2012	65	-	65	0,20%	0,20%
Total					390 295	-	382 090		

As at 31.12.2013

Company name	Location	Business object	Character of relation/consolidation method	Date of taking control	Value of shares/stocks at acquisition price	Revaluation adjustments	Carrying value of shares/stocks	Percentage of the company share capital held	Share in total no. of votes at GM
PRK 7 Nieruchomości Sp. z o.o.	Warsaw	real estate development activities	subsidiary / full method	01.09.2007	24 721	(7 006)	17 715	100,00%	100,00%
Torprojekt Sp. z o.o.	Warsaw	designing activities	subsidiary / full method	04.11.2010	1 400	-	1 400	82,35%	82,35%
AB Kauno Tiltai	Kaunas	construction and installation activities	subsidiary / full method	19.04.2011	364 109	-	364 109	96,84%**	96,84%**
PEUiM Sp. z o. o.	Białystok	construction and installation activities	subsidiary / full method	5.06.2012	65	-	65	0,20%	0,20%
Total					390 295	-	383 289		

Additional information and explanations to the annual financial statement represent its integral part

*) The Company Trakcja PRKił S.A. holds directly a 0.2% and indirectly 97.4% stake in PEUiM Sp. z o.o.; hence the company PEUiM Sp. z o.o. is treated as subsidiary and fully consolidated.

**) Trakcja PRKił SA has a total of 98.09% (96.84% directly and 1.25% indirectly) of the share capital of the subsidiary AB Kauno Tiltai. The indirect shareholding results from the acquisition of own shares by the subsidiary.

Value of investment in PRK 7 Nieruchomości Sp. z o.o. is adjusted in line with the revaluation reserve in relation with the settlement of sale of apartments within developer's projects created at revalued lands. The lands were revalued to fair value at the moment of the merger with PRK-7 S.A.

25. Investment in entities valued by equity method

As at 31.12.2014

Company name	Location	Business object	Character of relation/consolidation method	Date of taking control	Value of shares/stocks at acquisition price	Revaluation adjustments	Carrying value of shares/stocks	Percentage of the company share capital held	Share in total no. of votes at GM
Bahn Technik Wrocław Sp. z o. o.	Wrocław	construction and installation activities	jointly controlled / equity method	19.12.1996	2 008	-	2 008	50,00%	50,00%

As at 31.12.2013

Company name	Location	Business object	Character of relation/consolidation method	Date of taking control	Value of shares/stocks at acquisition price	Revaluation adjustments	Carrying value of shares/stocks	Percentage of the company share capital held	Share in total no. of votes at GM
Bahn Technik Wrocław Sp. z o. o.	Wrocław	construction and installation activities	co-controlled entity-proportional method	19.12.1996	2 008	-	2 008	50,00%	50,00%

Additional information and explanations to the annual financial statement represent its integral part

26. Joint operations – contracts executed in consortia

The Company executes some long-term contracts on the basis of the consortium agreements as a consortium leader without creation of separate entities. The Company treats shares in such contracts as shares in co-actions in accordance with IFRS 11. Therefore the Company does not recognize in the profit and loss account part of revenues and costs from such agreements that belong to consortium partners.

The contracts executed by the Company as a consortium leader are presented in the table below:

Contracts name	Country	Company's share as at	
		31.12.2014	31.12.2013
Modernization of the railway line no 9, section from km 236,920 to 287,700, during the Local Area Control Center, based in Malbork	Poland	68,7%	67,1%
Modernisation of the E65/C-E65 railway line, Warsaw – Gdynia section – area of LCS Działdowo	Poland	70,3%	69,7%
Design and performance of construction works on the Krakow – Medyka – state border railway line on the Podłęże – Bochnia section at km 16.000 – 39.000	Poland	96,9%	96,8%
Revitalization of the railway line on the section 144 Fosowskie - Opole	Poland	67,1%	66,1%
Modernisation of the railway line no E59, Wrocław – Poznań, stage II – section Wrocław – border of Lower Silesia voivodship	Poland	41,1%	42,3%
Modernization of the railway line E 30/CE 30, section Krakow - Rzeszow, stage III (Dębica - Sędziszów Małopolska)	Poland	86,3%	86,2%
Modernization of railway line E30, stage II section Zabrze - Katowice - Kraków Tender No. 1 - Upgrading sections: Jaworzno Szczakowa - Trzebinia (km 15.810 - 29.110 line 133) Jaworzno Szczakowa - Sosnowiec Tongue (km 0,000 - 6,847 line 134)	Poland	75,8%	64,9%
Modernization of the railway line No. 358 on the section Zbąszynek - Czerwieńsk with the construction of railway siding Pomorsko - Przylep bypassing the Czerwieńsk station	Poland	93,7%	93,7%
Attaching Korczowa Logistic Park - Phase I (the construction of a 110 kV Przemysł - Radymno)	Poland	77,4%	-

The table below presents the amounts of revenues and costs belonging to the consortium partners and referring to the contracts executed by above mentioned consortia. These revenues and costs were not included in the Company's profit and loss account.

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
Sales revenues	210 809	235 440
Cost of goods sold	(211 693)	(233 902)
Gross profit (loss) on sales	(884)	1 539

The Company did not include in the balance sheet as at December 31, 2014 trade receivables and trade payables belonging to consortium partners in the amount of PLN 57,167 thousand (as at December 31, 2013: PLN 63,432 thousand).

27. Financial assets

	31.12.2014 Audited	31.12.2013 Modified
Financial assets held to maturity	35 310	32 750
Bank guarantees deposits	14 043	13 496
Loans granted and receivables	21 267	19 254
Total	35 310	32 750
including:		
- recognised as non-current assets	9 482	8 259
- recognised as current assets	25 828	24 491

In 2014 there was no loss value of individual components of financial assets.

28. Prepayments

Structure of prepayments:

	31.12.2014 Audited	31.12.2013 Modified
Prepayments, including:	3 539	4 516
- insurance and insurance guarantees	2 145	3 205
- PKP (Polish Railways) identification documents	-	96
- repair and maintenance of wagons, locomotives	1 394	1 215
Other prepayments and accruals	147	206
Total	3 686	4 722

Ageing structure of prepayments:

	31.12.2014 Audited	31.12.2013 Modified
Long-term	789	881
Short-term	2 897	3 841
Total	3 686	4 722

29. Inventory

	31.12.2014 Audited	31.12.2013 Modified
Materials	18 798	37 818
Semi-finished goods and products in progress	1 804	1 227
Finished goods	1 311	160
Merchandise	10	10
Inventory for resale	-	3 590
Total, gross inventory	21 923	42 805
Inventory revaluation write-offs	(2 204)	(614)
Materials	16 621	37 231
Semi-finished goods and products in progress	1 804	1 227
Finished goods	1 284	133
Merchandise	10	10
Inventory for resale	-	3 590
Total, net inventory	19 719	42 191

Costs of inventory included in operating costs of the current period amounted to PLN 237,883 thousand (in 2013: PLN 336, 136 thousand).

Additional information and explanations to the annual financial statement represent its integral part

Change in inventory write-downs:

	Financial year ended	
	31.12.2014	31.12.2013
	Audited	Modified
As at start of period	614	1 233
Increases	1 590	78
Establishment	1 590	78
Decreases	-	(697)
Use	-	(95)
Dissolution	-	(602)
As at end of period	2 204	614

The creation and the inversion of amounts of write-downs for impairment was included in the position "cost of goods sold" in the profit and loss account. The write-downs adjusting the value of inventory are made in accordance with the principles defined in Note 8.7.

No securities were created for inventory.

30. Trade receivables and other receivables

Structure of trade receivables and other receivables:

	31.12.2014	31.12.2013
	Audited	Modified
Gross trade receivables, before discounting	379 162	356 052
Discounting of receivables	-	-
Total, gross trade receivables	379 162	356 052
including:		
- receivables from related entities	3 084	4 545
Receivables claimed in court	1 750	1 327
Other receivables from third parties	11 263	5 409
Amounts held	2 135	1 978
including:		
- receivables from related entities	121	692
Total, gross trade and other receivables	394 310	364 766
Receivables revaluation write-offs	(13 502)	(7 301)
Total	380 808	357 465

Receivables from the related companies are presented in Note 54.

Trade receivables and amounts held:

	31.12.2014	31.12.2013
	Audited	Modified
Net trade receivables	370 158	352 587
With maturity within 12 months	368 369	350 321
With maturity over 12 months	1 789	2 267
Discounting of receivables	-	-
Total, net trade receivables after discounting	370 158	352 587

Receivables with maturity over 12 months include mainly amounts held which are an additional collateral of due performance of the contract.

The Company ceased to include discounting of receivables because this was insignificant.

The structure of maturity periods of total amounts held is presented in the table below:

	31.12.2014	31.12.2013
	Audited	Modified
Maturity		
Up to 12 months	496	-
Over 12 months	1 639	1 978
Total	2 135	1 978

Trade receivables are not interest-bearing and their maturity is usually 30 days.

The Company has implemented the appropriate policy – it sells only to the verified customers. Due to this fact - in the opinion of the Management Board - there is no additional credit risk exceeding the level specified by the write-down concerning bad debt which is adequate for the trade receivables of the Company. At the balance sheet date 66% of the total receivables of the Trakcja PRKił are the receivables from PKP PLK S.A. (December 31, 2013: 71%).

Due to the short-term nature of trade receivables, their balance sheet value is close to fair value. The Company signed on May 10, 2014 a recourse factoring agreement. On December 9, 2014 the annex to the significant factoring agreement was bilaterally signed by virtue of which the funding limit provided in the agreement was changed to PLN 100,000 thousand. As of December 31, 2014, the Company used this limit to the amount of PLN 38,338 thousand (as of December 31, 2013: PLN 34,718 thousand).

The change of write-downs amount referring to the value of receivables:

	31.12.2014	31.12.2013
	Audited	Modified
As at start of period	7 301	5 307
Increases	7 694	2 580
Establishment	7 694	2 580
Decreases	(1 493)	(586)
Use	(1 162)	(215)
Dissolution	(331)	(371)
As at end of period	13 502	7 301

The trade receivables and amounts held according to maturities:

	31.12.2014	31.12.2013
	Audited	Modified
Up to 1 month	162 516	92 636
From 1 month to 3 months	87 376	179 360
From 3 months to 6 months	-	13
From 6 months to 1 year	17	36
More than 1 year	1 789	2 267
Overdue receivables	129 599	83 718
Total, gross trade receivables	381 297	358 030
Revaluation write-offs on trade receivables	(11 139)	(5 443)
Total, net trade receivables	370 158	352 587

The structure of overdue trade receivables:

	31.12.2014	31.12.2013
	Audited	Modified
Up to 1 month	114 447	72 550
From 1 month to 3 months	3 026	343
From 3 months to 6 months	750	305
From 6 months to 1 year	540	30
More than 1 year	10 836	10 490
Total, gross overdue trade receivables	129 599	83 718
Receivables revaluation write-offs	(11 139)	(5 443)
Total, net overdue trade receivables	118 459	78 275

Additional information and explanations to the annual financial statement represent its integral part

Currency structure of trade receivables and other receivables:

	31.12.2014	31.12.2013
	Audited	Modified
In PLN	392 566	362 946
In foreign currencies - after conversion into PLN, including:	1 744	1 820
in EUR	1 744	1 820
Total	394 310	364 766

Receivables asserted in court:

	31.12.2014	31.12.2013
	Audited	Modified
Receivables claimed in court	1 750	1 327
Revaluation write-offs on receivables claimed in court	(1 750)	(1 327)
Total	-	-

31. Cash and cash equivalents

Cash in bank is interest-bearing according to the variable interest rates which level depends on the interest rate of one-day bank deposits.

Short-term deposits are made for different periods, from one day to one month, depending on the current demand of the Company for cash and they are interest-bearing according to the negotiated interest rates.

As at December 31, 2014 Trakcja PRKił S.A. had at its disposal unused granted short-term credit lines for the amount of PLN 142 million (as at December 31, 2013: 19 million PLN).

Currency structure of cash and cash equivalents:

	31.12.2014	31.12.2013
	Audited	Modified
In PLN	13 003	32 762
In foreign currencies - after conversion into PLN, including:	1 110	982
in EUR	1 107	979
in USD	3	-
Total	14 113	33 744

Balance of cash and cash equivalents shown in the balance sheet and in the cash flow statement consisted of the following items as at:

	31.12.2014	31.12.2013
	Audited	Modified
Cash in hand	66	98
Cash at bank	3 217	6 183
Other cash - deposits up to 3 months	10 830	27 463
Total cash and cash equivalents	14 113	33 744
Cash and cash equivalents excluded from cash flow statement	-	-
Cash and cash equivalents presented in cash flow statement	14 113	33 744
- including restricted cash	981	912

Cash of a limited possibility of disposal in the amount of PLN 981 thousand (as at December 31, 2013: PLN 912 thousand) concerns cash intended to repay interest on bonds.

32. Construction contracts

	31.12.2014	31.12.2013
	Audited	Modified
Surplus of invoiced revenues over revenues resulting from degree of advancement	39 851	26 962
Surplus of revenues resulting from degree of advancement over invoiced revenues	25 525	14 758
Advances paid towards contracts being performed	38	24
Advances received towards contracts being performed	89	-
Provision for anticipated losses on contracts	-	-
Recognised in balance sheet:		
<i>in current assets</i>		
Construction contracts	25 563	14 782
<i>in short-term liabilities</i>		
Construction contracts	39 940	26 962

33. Capital risk management

The goal of the Company in managing the capital risk is to maintain the Company's ability to continue the business and to maintain optimum capital structure in order to provide return on investment to the shareholders. To maintain or to correct the capital structure, the Company may issue new shares, change the amount of dividends paid to the shareholders, increase debt or reduce debt by selling the assets. The Company monitors the capital structure by using the financing structure ratios. Ratios analyzed by the Company, presented in the table below table, allow to maintain both good credit rating and confirm the capital structure supports operational activity of the Company.

FINANCING STRUCTURE RATIOS	31.12.2014	31.12.2013	Change
	Audited	Modified	
Equity to assets ratio	0,54	0,49	0,05
Equity to non-current assets ratio	0,96	0,88	0,08
Debt ratio	0,46	0,51	-0,05
Debt to equity ratio	0,85	1,03	-0,18

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

Equity to assets ratio = equity / total assets

Equity to non-current assets ratio = equity / non-current assets

Debt ratio = (total assets - equity) / total assets

Debt to equity ratio = (total assets - equity) / equity

34. Equity**Share capital**

As at December 31, 2014 as well as at the date of this report the share capital of the Company according to the entry in the National Court Register amounted to PLN 41,119,638.40 and was divided into 51 399 548 ordinary bearer shares of A series with nominal value PLN 0.80 each. Each share gives the right to one vote at the General Meeting of Shareholders of the Company.

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

In the 4th quarter of 2014 by virtue of resolutions of Extraordinary General Meeting of October 16, 2014 the re-split of shares in proportion of 8 to 1 with simultaneous increase of their nominal value was effected. This means that nominal value of each share was increased from PLN 0.10 to PLN 0.80. All existing ordinary bearer shares of previous series A, C, D, E, F, G and H were marked as a new A series. Resplit was done with proportional decrease of total number of shares from 411 196 384 to 51 399 548 by joining every 8 shares of previous nominal value of PLN 0.10 into one Company's share of new nominal value of PLN 0.80. The entire proceeding did not affect the share capital of Trakcja PRKił S.A.

As a consequence of the re-split process with effect from December 15, 2014 (the day of resumption of trading in shares) there are 51 399 548 ordinary bearer shares of series A of Trakcja PRKił that are listed at the Warsaw Stock Exchange, marked with code PLTRKPL00014. All shares are fully paid.

To the best knowledge of the Management Board, the list of Shareholders that own directly or through subsidiary entities at least 5% of the total number of votes at the General Meeting, as at acceptance date of this report, after performing the re-split process, is the following:

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

After the re-split process was effected, the Company did not receive any notification about change of share in votes at the Company's General Meeting of the current shareholders owning directly, or through subsidiary entities, at least 5% of total number of votes. In view of above the number of shares presented in the table was fixed by dividing by 8 (proportion of resplit was 8 to 1) and rounding up to the integer the number of shares owned by individual Shareholders about whom the Company had information on the day of starting the share re-split process.

Surplus on sale of shares above their nominal value

As at December 31, 2014 the total surplus on sale of shares above their nominal value amounted to PLN 309,984 thousand and decreased in comparison with its value as at December 31, 2014 due to the fact that transaction costs of the effected share resplit in the amount of PLN 118 thousand were recognized in the course of year 2014.

Other capital reserves

Other capital reserves include:

- Results of previous years – capital resulting from the profits generated in previous financial years. The Company is obliged to create reserve capital which is increased by at least 8% of the profit of the current year until it achieves the level of one-third of the share capital. Other capital reserves capital created in that way cannot be distributed.

Additional information and explanations to the annual financial statement represent its integral part

- Actuarial profits (losses) – the Company recognizes actuarial profits and losses arising from reserves for employee benefits in other comprehensive income and cumulates them in the reserve capital item. This capital cannot be distributed.

Revaluation reserve

Revaluation reserve includes value of the right of perpetual usufruct received by the Company free of charge on the basis of the administrative decision which is the basis for fixing the annual payment which considers deferred tax effect. In the revaluation reserve the effects of change of destination of fixed assets as at January 1, 2014 were also included.

Retained earnings

The retained earnings of the Company covers the current result for the given financial year.

Distribution of other comprehensive income among individual elements of equity

	Share capital	Share premium account	Revaluation reserve	Other capital reserves	Retained earnings	Total
As at 31.12.2014						
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:	-	-	-	(1 441)	-	(1 441)
Actuarial gains/(losses)	-	-	-	(1 441)	-	(1 441)
Other comprehensive income, which will be reclassified to profit or loss:	-	-	-	-	-	-
Other comprehensive net income	-	-	-	(1 441)	-	(1 441)
	Share capital	Share premium account	Revaluation reserve	Other capital reserves	Retained earnings	Total
As at 31.12.2013						
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:	-	-	-	5 723	-	5 723
Gains on revaluation charged to revaluation reserve	-	-	-	7 041	-	7 041
Actuarial gains/(losses)	-	-	-	(1 318)	-	(1 318)
Other comprehensive income, which will be reclassified to profit or loss:	-	-	-	-	-	-
Other comprehensive net income	-	-	-	5 723	-	5 723

35. Provisions

	Provision for legal cases	Provisions for correction works	Provisions for bonuses	Provisions for balance sheet audit	Cost provisions	Other provisions	Total
As at 1.01.2014	373	4 430	1 656	109	6 110	182	12 860
Recognised in profit and loss account:							
- provision creation	627	494	5 303	180	786	-	7 390
- movements	-	120	-	-	-	(120)	-
- release of unused provisions	-	(321)	(959)	(6)	-	-	(1 286)
- use of provisions	-	(248)	(698)	(225)	(6 845)	(1)	(8 017)
Total	627	45	3 646	(51)	(6 059)	(121)	(1 913)
As at 31.12.2014 Audited	1 000	4 475	5 302	58	51	61	10 947

Additional information and explanations to the annual financial statement represent its integral part

	Provision for legal cases	Provisions for correction works	Provisions for bonuses	Provisions for balance sheet audit	Cost provisions	Other provisions	Total
As at 1.01.2013	567	3 658	1 050	226	-	805	6 306
Recognised in profit and loss account:							
- provision creation	-	1 646	1 656	265	6 110	120	9 797
- movements	-	-	-	-	-	-	-
- release of unused provisions	(194)	(128)	-	(30)	-	-	(352)
- use of provisions	-	(746)	(1 050)	(352)	-	(743)	(2 891)
- utrata kontroli nad jednostkami							-
- różnice kursowe z przeliczenia							-
Total	(194)	772	606	(117)	6 110	(623)	6 554
As at 31.12.2013	373	4 430	1 656	109	6 110	182	12 860
Modified							

Ageing structure of provisions:

	31.12.2014 Audited	31.12.2013 Modified
Long-term	1 638	1 223
Short-term	9 309	11 637
Total	10 947	12 860

36. Interest-bearing bank credits and loans

Long-term interest-bearing bank credits and loans:

	31.12.2014 Audited	31.12.2013 Modified
Bank loans	-	8 950
- investment loans	-	8 950
Loans from other entities	17 562	-
- project purpose loans	17 562	-
Financial lease liabilities	15 345	10 310
Total	32 907	19 260

Short-term interest-bearing bank credits and loans:

	31.12.2014 Audited	31.12.2013 Modified
Bank loans	7 000	103 006
- investment loans	-	4 909
- working loans	7 000	88 200
- overdraft	-	9 897
Loans from other entities	4 121	-
- project purpose loans	4 121	-
Financial lease liabilities	4 648	3 677
Total	15 769	106 683
Total short and long term loan and credits	48 676	125 943

Additional information and explanations to the annual financial statement represent its integral part

Liabilities concerning credits and loans as at December 31, 2014 are presented in the table below:

Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
BRE Bank S.A.	overdraft	10 000	PLN	28-01-2016	WIBOR 1M + margin	-
Alior Bank S.A.	working capital loans	50 000	PLN	30-04-2015	WIBOR O/N + margin	7 000
Alior Bank S.A.	working capital loans	45 000	PLN	30-04-2015	WIBOR 1M + margin	-
PKO BP S.A.	working capital loans	44 000	PLN	03-07-2016	WIBOR 1M + margin	-
mLeasing Sp. z o.o.	project purpose loans	22 400	PLN	16-09-2019	WIBOR 1M + margin	21 683
Total						28 683

Currency structure of credits and loans of the Company:

	31.12.2014	31.12.2013
	Audited	Modified
In PLN	48 676	125 345
In foreign currencies - after conversion into PLN, including:	-	598
in EUR	-	598
Total	48 676	125 943

Interest rate of received credits depends on WIBOR and bank's margins.

As at December 31, 2014, the Company had at its disposal the overdraft facility limit and the limit of the working capital loan for the total value of PLN 142 million (as at December 31, 2013: PLN 19 million).

Fair value of credits and loans is close to their book value.

37. Bonds

As at December 31, 2014 the Company had the liabilities from issuing the bonds amounting to PLN 32,360 thousand.

General information on bonds owned by the Company as at December 31, 2014:

Bond series	Issue date	Maturity date	Nominal value of 1 bond (in PLN)	Series nominal value (in ths. PLN)	Interest	At amortized cost (in ths. PLN)
C	31.01.2013	31.12.2015	1 000	29 529	WIBOR 6M + 3,75%	29 370
E	31.01.2013	31.12.2015	1 000	3 007	WIBOR 6M + 4,75%	2 990

On December 18, 2014, the Company acquired in order to redeem 17 914 E series ordinary bearer bonds with nominal value PLN 1,000 and with total nominal value PLN 17,914 thousand.

After the balance sheet date, i.e. on January 22, 2015 the Management Board of the National Securities Depository S.A. (NSC) adopted the resolution on withdrawal of E series ordinary bonds from the depository maintained by the NSC. After the redemption with effect from January 26, 2015 there were 3 007 E series ordinary bonds marked with ISIN code: PLTRKPL00089.

The ageing structure of bonds:

	31.12.2014	31.12.2013
	Audited	Modified
Long-term	-	49 926
Short-term	32 360	-
Total	32 360	49 926

Interest is paid at the interest payment dates i.e. at June 30 and at December 31 of every year since the day of issue until the maturity date and at the maturity date of series C and E.

38. Other financial liabilities

In the item "Other financial liabilities" the Company presented a factoring liability in the amount of PLN 38,338 thousand (as at December 31, 2013: PLN 34,718). The Company entered into a recourse factoring agreement on May 10, 2013. The current funding limit, fixed on the basis of the annex to the agreement signed bilaterally on December 9, 2014 amounts to PLN 100 thousand. Factoring interest is calculated on the basis of variable WIBOR O/N rate increased by a factor's fixed margin.

39. Derivative financial instruments

As at December 31, 2014 the Company had a concluded interest rate option contract whose valuation was close to PLN 0 (zero).

In the course of the reporting period the Company was concluding interest rate option contracts and swap interest rate (IRS) contracts. The Company was not concluding derivative contracts for speculative purposes. The Company did not use hedge accounting in the reporting periods covered by this financial statement. In 2014 the valuation of derivatives recognized in the profit and loss account amounted to PLN 356 thousand while in 2013 this impact was of PLN 144 thousand.

As at December 31, 2013 the Company included in the balance sheet the swap interest rate (IRS) contract. Its fair value is calculated as present value of future cash flows estimated on the basis of observation of yield curves. IRS contract included in the balance sheet as at December 31, 2013 was included into Level 2 of hierarchy of fair value. During the financial year no transfers between Levels 1, 2 and 3 took place.

	31.12.2014			
	Audited	Level 1	Level 2	Level 3
Derivative financial instruments	-	-	-	-
	31.12.2013			
	Modified	Level 1	Level 2	Level 3
Derivative financial instruments	144	-	144	-

40. Liabilities from employee benefits

Liabilities from the provisions for severance payments and jubilee awards:

Audited	Provision for pension benefits	Provision for jubilee awards
As at 1.01.2014	3 278	8 599
Total costs recognised in profit and loss account:		
- Interest costs	123	322
- Current service costs	2 051	847
- Past service costs	(308)	(672)
Actuarial losses (profit) recognised in other comprehensive income	134	1 646
Benefits paid	(564)	(3 251)
Total	1 436	(1 108)
As at 31.12.2014	4 714	7 491
Audited		

Modified	Provision for pension benefits	Provision for jubilee awards
As at 1.01.2013	2 996	8 064
Total costs recognised in profit and loss account:		
- Interest costs	150	403
- Current service costs	634	1 177
- Past service costs	(352)	(642)
Actuarial losses (profit) recognised in other comprehensive income	170	1 457
Benefits paid	(320)	(1 860)
Total	282	535
As at 31.12.2013	3 278	8 599
Modified		

Liabilities due to provisions for unused leaves:

	31.12.2014	31.12.2013
Provisions for unused leaves	Audited	Modified
Balance at the beginning of the period	3 983	3 823
Recognised in income statement:		
- provision creation	1 486	844
- release of unused provision	-	(612)
- use of provision	(880)	(72)
Total	606	160
Balance at the end of the period	4 589	3 983

Ageing structure of liabilities from employee benefits:

	31.12.2014	31.12.2013
	Audited	Modified
Long-term	9 851	9 227
Short-term	6 944	6 633
Total	16 795	15 860

Additional information and explanations to the annual financial statement represent its integral part

Principles of creating provisions for employees benefits:

The Company pays the retiring employees amounts of severance payments in the amount specified by the Remuneration Regulations. In relation to this, the Company on the basis of the assessment performed on the grounds of actuarial method, creates a reserve for the present value of liabilities from severance payments and jubilee awards.

To calculate the provision for retirement severance and jubilee awards as at December 31, 2013 the discount rate of 3.75% and increase of salaries of 1.7% was taken while as at December 31, 2014 the respective figures were 2.51% and 1.8%.

The table with the sensitivity analysis of liabilities from employee benefits is presented below:

Factor applied	Reasonably possible change of the factor	Liabilities due to employee benefits	
		increase	decrease
Discount rate	+/- 1%	(457)	499
Salary growth	+/- 1%	497	(465)

The present value of liabilities from employee benefits is equal to balance sheet value.

41. Trade liabilities and other liabilities

	31.12.2014 Audited	31.12.2013 Modified
Trade liabilities, before discounting	254 011	213 445
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	254 011	213 445
including:		
- liabilities from related entities	3 794	3 252
Amounts held	11 680	6 563
Budgetary liabilities	17 449	43 917
Payroll liabilities	2 078	1 946
Other liabilities towards third parties	967	513
Total trade and other liabilities	286 185	266 383

Liabilities from the related companies are shown in Note 54.

The structure of trade liabilities by maturities and amounts held:

	31.12.2014 Audited	31.12.2013 Modified
Trade liabilities before discounting	265 691	220 008
With maturity within 12 months	264 845	218 199
With maturity over 12 months	846	1 809
Discounting of liabilities	-	-
Total, Trade liabilities after discounting	265 691	220 008

Liabilities due with maturity longer than 12 months constitute amounts held.

In 2014 and 2013, the Company ceased to discount the liabilities due to its minor importance.

Due to the short-term nature of the trade liabilities their balance sheet value is close to their fair value.

Currency structure of trade liabilities and other liabilities:

	31.12.2014	31.12.2013
	Audited	Modified
In PLN	281 536	264 258
In foreign currencies - after conversion into PLN, including:	4 649	2 125
in EUR	4 646	1 811
Total	286 185	266 383

Principles and conditions of liabilities payment:

Trade liabilities are not interest-bearing and are settled at the dates from 30 to 60 days. Liabilities older than 12 months constitute amounts held and are related to execution of the construction and installation contracts in order to assure on-time and correct execution of the contract. The remaining liabilities are not interest-bearing, with average one-month date of payment. The amount resulting from the difference between the liabilities and receivables due to the goods and services tax is paid to proper tax authorities within the periods resulting from tax regulations. Liabilities from interest are usually settled on the basis of accepted interest notes.

42. Liabilities from operating lease – Company as a lessee

The Company as a lessee had as at December 31, 2014 and as at December 31, 2013 irrevocable operating lease contracts.

The Company uses on the basis of the operating lease agreements tangible fixed assets like vehicles among others. The lease periods vary from 3 to 5 years.

The cost of operating lease payments (rent, lease, etc.) recognized in the financial result as at December 31, 2014 amounts to PLN 591 thousand while as at December 31, 2013 amounts to PLN 961 thousand.

The total amount of the future minimum payments concerning irrevocable operating lease amounts to:

	31.12.2014	31.12.2013
	Audited	Modified
Within 1 year	136	393
Within 1 to 5 years	-	77
Total	136	470

The Company includes also into operating lease the right of perpetual usufruct of lands received free of charge. The amount of this right is PLN 1,567 thousand.

The future payments concerning the right of perpetual usufruct of lands:

	31.12.2014	31.12.2013
	Audited	Modified
Within 1 year	830	940
Within 1 to 5 years	3 319	3 761
Over 5 years	-	-
Total	4 149	4 701

The liabilities from the right of perpetual usufruct of lands were estimated on the basis of annual rates of payments resulting from the last administrative decisions and from the period of use of lands to which this right is applicable.

43. Liabilities from financial lease agreements

The Company uses many machines and various equipment on the basis of the financial lease agreements.

The future minimum lease fees from these agreements and the present value of net minimum lease fees is as follows:

	31.12.2014	31.12.2013
	Audited	Modified
Nominal value of minimum leasing fees		
Within 1 year	5 579	4 446
Within 1 to 5 years	17 306	11 622
Total financial lease liabilities - total minimum leasing fees	22 885	16 068
Financial costs on account of financial lease	(2 892)	(2 081)
Present value of minimum leasing fees		
Within 1 year	4 648	3 677
Within 1 to 5 years	15 345	10 310
Total present value of minimum leasing fees	19 993	13 987

The ageing structure of financial lease liabilities:

	31.12.2014	31.12.2013
	Audited	Modified
Long-term	15 345	10 310
Short-term	4 648	3 677
Total	19 993	13 987

44. Liabilities from operating lease – Company as a lessor

The Company is a party to the lease agreements in which is a lessor. The agreements refer to renting space in the investment property possessed by the Company. The lessee has no possibility to buy the leased components of the investment property after the agreement expires.

The total amount of the future minimum payments concerning operating lease as at December 31, 2014 and as at December 31, 2013 is follows:

	31.12.2014	31.12.2013
	Audited	Modified
Within 1 year	183	190
Within 1 to 5 years	-	-
Over 5 years	-	-
Total	183	190

45. Information about the financial instruments

During the period covered by the annual financial statement and in the comparable period, the Company possessed the following financial instruments:

- financial assets and liabilities assessed at fair value by the financial result - forward currency contracts, IRS contracts;
- financial assets kept until maturity - bank guarantee deposits representing security of a guarantee granted to the Company by banks;
- loans granted and own receivables – cash and short-term deposits, trade receivables and other receivables (without budget receivables), short-term granted loans;
- financial liabilities valued according to the amortized cost – bank credits, bonds, factoring and lease liabilities, trade payables and other liabilities (without budget liabilities).

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Loans and receivables	Financial assets held to maturity	Financial liabilities measured at amortised cost
As at 1.01.2014	-	144	410 463	13 495	433 052
Increases	-	-	25 477	223 163	464 454
Acquisition, establishment	-	-	25 477	223 163	461 966
Valuation	-	-	-	-	2 489
Decreases	-	(144)	(19 752)	(222 616)	(509 397)
Sale, dissolution, repayment	-	-	(19 752)	(222 616)	(509 397)
Valuation	-	(144)	-	-	-
As at 31.12.2014	-	-	416 188	14 042	388 109
including:					
Disclosed in balance sheet, indicating balance sheet item					
recognised as non-current assets					
Other financial assets	-	-	-	9 482	-
Total	-	-	-	9 482	-
recognised as current assets					
Trade and other receivables	-	-	380 808	-	-
Other financial assets	-	-	21 267	4 561	-
Cash and cash equivalents	-	-	14 113	-	-
Total	-	-	416 188	4 561	-
recognised as long-term liabilities					
Interest-bearing loans and borrowings	-	-	-	-	32 907
Total	-	-	-	-	32 907
recognised as short-term liabilities					
Interest-bearing loans and borrowings	-	-	-	-	15 769
Trade and other liabilities	-	-	-	-	268 736
Other financial liabilities	-	-	-	-	38 338
Bonds	-	-	-	-	32 360
Total	-	-	-	-	355 203
Total	-	-	416 188	14 043	388 110

Additional information and explanations to the annual financial statement represent its integral part

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Loans and receivables	Financial assets held to maturity	Financial liabilities measured at amortised cost
As at 1.01.2013 Modified	29	-	169 129	6 473	364 385
Increases	-	144	260 484	16 552	477 458
Acquisition, establishment	-	144	260 484	16 552	477 443
Valuation	-	-	-	-	15
Decreases	(29)	-	(19 150)	(9 530)	(408 791)
Sale, dissolution, repayment	(29)	-	(19 150)	(9 530)	(408 791)
As at 31.12.2013 Modified	-	144	410 463	13 495	433 052
including:					
Disclosed in balance sheet, indicating balance sheet item					
recognised as non-current assets					
Other financial assets	-	-	-	8 259	-
Total	-	-	-	8 259	-
recognised as current assets					
Trade and other receivables	-	-	357 465	-	-
Other financial assets	-	-	19 254	5 237	-
Cash and cash equivalents	-	-	33 744	-	-
Total	-	-	410 463	5 237	-
recognised as long-term liabilities					
Interest-bearing loans and borrowings	-	-	-	-	19 260
Derivative financial instruments	-	144	-	-	-
Bonds	-	-	-	-	49 926
Total	-	144	-	-	69 186
recognised as short-term liabilities					
Interest-bearing loans and borrowings	-	-	-	-	106 683
Trade and other liabilities	-	-	-	-	222 466
Other financial liabilities	-	-	-	-	34 718
Total	-	-	-	-	363 866
Total	-	144	410 463	13 495	433 052

Additional information and explanations to the annual financial statement represent its integral part

46. Fair value of the financial instruments

Comparison of fair value and the balance sheet value:

Classes of financial instruments	As at 31.12 2014		As at 31.12 2013	
	Book value	Fair value	Book value	Fair value
Loans granted	21 267	21 267	19 254	19 254
Bank guarantees deposits	14 043	14 043	13 496	13 496
Trade and other receivables (excluding budgetary receivables)	380 808	380 808	357 465	357 465
Cash and cash equivalents	14 113	14 113	33 744	33 744
Derivative financial instruments (liabilities)	-	-	144	144
Interest-bearing loans and borrowings, financial lease liabilities	48 676	48 676	125 943	125 943
Bonds	32 360	33 039	49 926	50 450
Financial factoring liabilities	38 338	38 338	34 718	34 718
Trade and other liabilities (excluding budgetary liabilities)	268 736	268 736	222 466	222 466

Methods, techniques and assumptions of valuation applied in determining fair value of each class of financial instruments .

Due to the short-term nature of trade receivables and other receivables, trade payables and other liabilities and cash and cash equivalents, the balance sheet value of these financial instruments is close to their fair value.

Loans granted and credit and loans taken are based on the variable market rates based on WIBOR; hence their fair value is close to the balance sheet value.

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

Fair value of the IRS contract (in the amount of PLN 144 thousand, presented in the category of derivative financial instruments as at December 31, 2013) is calculated as the present value of estimated future cash flows based on the observation of yield curves.

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments measured at fair value, depending on the chosen method of valuation:

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

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

Level 3 – prices that are not from active markets.

Financial instruments as at fair value	Level 1		Level 2		Level 3	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Derivative financial instruments (liabilities)	-	-	-	144	-	-

Both in the reporting period as well as in the comparable period, neither shifts between level 1 and 2 of the hierarchy of fair value took place nor any of the instruments was shifted from level 2 to level 3 of fair value hierarchy.

47. Goals and principles of managing the financial risk

Trakcja PRKił within conducted operating activity is exposed to several financial risks. The risk management effected by the Company aims at minimizing influence of unfavorable factors on the financial results.

Currency risk

The activities of the Company are not exposed to exchange rates fluctuations. As at December 31, 2014 the Company had cash assets of EUR 260 thousand (as at December 31, 2013: EUR 236 thousand).

Risk related to growth of the portfolio of overdue receivables

At the day of preparing this annual financial statement, the Company controls the level of overdue receivables. The following situation cannot be excluded, in which contracting parties in the future shall not be able to pay on time their liabilities, which can significantly and negatively influence the financial standing of the Company.

Risk related to liquidity

Like most of the companies operating in the construction industry the Company shows seasonality of sale resulting in generation of major part of incomes in the second half of the calendar year and significantly lower level of incomes in the first quarter, which influences the liquidity management and the demand for working capital of the Company. The Company liquidity is influenced also by the circumstance that its major receivers obtain financial resources for purchase of services provided by the Company from the subsidies of the Government of Poland and from the European Union. The legal regulations that constitute the basis of such subsidies do not allow to dedicate them to finance VAT tax. It cannot be excluded, that receivables concerning VAT due can be paid by the receivers to the Company with delay, which will not release the Company from the obligation to pay this tax in the time regimes stipulated in the Law.

Irregularity of payments from receivers may negatively influence the Company's liquidity. On the other hand, Trakcja PRKił S.A., while executing the construction contracts, obtains advance money for performing the works (in amounts varying from 10% to 20%) which improves the financial liquidity of the Company and enables to finance the initial costs of construction regardless of the invoicing for the performed services. Unexpected variations of liquidity and unexpected growth of working capital needs may have significant and negative influence on the financial standing of the Company.

In order to minimize the risk of loss of liquidity, the Company uses external sources of financing in the form of loans (working capital, overdraft and investment loans), bonds, and factoring financing. Liabilities from loans and advances as at December 31, 2014, together with their maturity are presented in Note 36. The maturity of the bonds of series C and E issued by the Company is at December 31, 2015. Interest on the bonds is payable at the dates of June 30 and December 31 each year since the issue date until the maturity date of bonds series C and E and at the maturity date of the bonds series C and E.

In the table below – the analysis of the Company's liabilities in the net amounts by maturities adequately to the period remaining at the balance sheet date to the contractual maturity - is presented. The amounts shown in the table are contractual not discounted cash flows.

As at 31.12.2014

Audited	Within 1 year	Within 1 to 5 years	Over 5 years
Interest-bearing loans and borrowings	11 121	17 562	-
Financial lease liabilities	4 648	15 345	-
Financial factoring liabilities	38 338	-	-
Bonds	32 360	-	-
Trade and other liabilities	267 890	846	-

As at 31.12.2013

Modified	Within 1 year	Within 1 to 5 years	Over 5 years
Interest-bearing loans and borrowings	103 006	8 950	-
Financial lease liabilities	3 677	10 310	-
Financial factoring liabilities	34 718	-	-
Bonds	-	49 926	-
Derivative financial instruments	-	144	-
Trade and other liabilities	220 657	1 809	-

Additional information and explanations to the annual financial statement represent its integral part

Risk of interest rate

As at December 31, 2014 there is a risk related to the changes of the interest rates in relation to interest of credits and loans taken by the Company, issued bonds of the variable interest rate, factoring liabilities and in relation to the financial lease agreements. Detailed information about the credits and loans taken by the Company is included in Note 36.

The analysis of the impact of the interest rate variability on the financial result of the Company as at December 31, 2014 and as at December 31, 2013 is presented below. In order to perform the analysis of sensitivity to the interest rate changes, the interest rate changes were estimated as at December 31, 2014 and as at December 31, 2013 at the rationally forecasted level, i.e. ± 1 percentage point.

	Value at the balance-sheet date	Sensitivity to changes as at December 31, 2014	
		+ 100 pb	- 100 pb
Trade receivables (present value)	381 613		
Trade payables (present value)	265 691		
Cash and cash equivalents, bank guarantee deposits (nominal value/interest)	28 156	339	(339)
Loans and credits, factoring liability, bonds (nominal value/interest)	119 374	(1 902)	1 902
Gross impact on period result and net assets		(1 563)	1 563
Deferred tax		(297)	297
Total		(1 266)	1 266

	Value at the balance-sheet date	Sensitivity to changes as at December 31, 2013	
		+ 100 pb	- 100 pb
Trade receivables (present value)	272 291		
Trade payables (present value)	173 780		
Cash and cash equivalents, bank guarantee deposits (nominal value/interest)	47 240	317	(317)
Loans and credits, factoring liability, bonds (nominal value/interest)	210 587	(2 088)	2 088
Gross impact on period result and net assets		(1 771)	1 771
Deferred tax		(337)	337
Total		(1 435)	1 435

Risk of changes of raw materials prices

Since the Company uses for its activities several raw materials such as steel, copper, aggregates and concrete prefabricates, it is directly exposed to changes of their prices. The Company's policy of limiting the risk of changes of raw materials prices does not allow its complete elimination. That is why, major variations of materials prices may negatively influence the financial standing of the Company. Thanks to implementation of the system of central purchases for all executed contracts and all supporting units, the Company is going to achieve relevant and long-lasting cost savings and to optimize purchases.

Credit risk

Credit risk of the Company is related mainly with trade receivables. Trakcja PRKił S.A. applies the policy of concluding contracts with contracting parties of high credibility and of verified credit capacity. The evaluation of the credit capacity is performed regularly. In case of negative evaluation of the future credit capacity of the contracting party, the Company applies adequate financial or property securities in order to minimize the credit risk. Financial services monitor on the current basis the status of receivables status limiting the bad debt risk. The balance sheet value of financial assets posted in the financial statement corresponds to the maximum exposure of the Company to credit risk (without consideration of securities). Since at the balance sheet date

66% of the total receivables of the Company were the receivables from PKP PLK S.A. there is significant concentration of the credit risk.

Disclosures relating to trade receivables overdue and write-offs relating to trade receivables are presented in Note 30.

Loans granted are mainly the loans granted to the subsidiary. The credit risk of such loan is limited because the Company controls the operational activities of the subsidiary.

The Company cooperates with financial institutes of high credibility. Free cash is deposited in several banks in order to avoid concentration of risk related to liquid resources.

The maximum exposure to credit risk is equal to the balance sheet value of the following financial instruments:

The maximum exposure to credit risk	Book value	
	31.12.2014	31.12.2013
Loans to:	21 267	19 254
- unrelated parties	2 179	2 125
- subsidiaries	19 088	17 130
Trade receivables and other:	390 425	361 460
- from unrelated parties	387 341	356 916
- from subsidiaries	3 084	4 545
Cash and cash equivalents	14 113	33 744
Bank guarantees deposits	10 129	13 496
Total	435 934	427 955

Objectives and principles of managing the financial risk

The Company manages the financial risk by identification, monitoring and reporting its factors which aims at limiting the negative influence of the currency risk factors on cash flows and on the Company's economic result. Derivatives are valued in the Company at fair value. The Company for the purposes of registration uses the valuations made by the banks.

48. Balance sheet items measured at fair value

The following table shows all the items of the balance sheet measured at fair value with the indication of the level of fair value hierarchy assigned to the items.

	31.12.2014 Audited	Level 1	Level 2	Level 3
Investment property:	17 602	-	-	17 602
Office property	17 602			17 602
	31.12.2013 Modified	Level 1	Level 2	Level 3
Investment property:	25 699	-	-	25 699
Office property	25 699			25 699

The assumptions used for determination of fair values:

- of the different categories of financial instruments are described in Note 46 of the Additional information and explanations.
- of the investment property are described in Note 22 of the Additional information and explanations.

49. Conditional receivables and liabilities

Conditional receivables and liabilities are presented in the table below:

	31.12.2014	31.12.2013
	Audited	Modified
Contingent receivables		
From related entities due to:	123 039	138 772
Received guarantees and sureties	113 573	124 254
Bills of exchange received as collateral	9 466	14 518
Total contingent receivables	123 039	138 772
Contingent liabilities		
From related entities due to:	-	716
Provided guarantees and sureties	-	716
From other entities due to:	1 684 351	1 867 942
Provided guarantees and sureties	300 979	304 849
Promissory notes	403 850	493 193
Mortgages	229 500	165 300
Assignment of receivables	626 397	778 032
Assignment of rights under insurance policy	60 777	71 045
Security deposits	25 530	15 831
Other liabilities	37 318	39 692
Total contingent liabilities	1 684 351	1 868 658

As a result of employment contracts signed with employees, the Company as at December 31, 2014 possessed conditional receivables in amount of PLN 736 thousand. In the event of a manager's failure to comply with his or her duties defined in Art. 1 of the Non-Competition Agreement, this manager will pay, immediately and without a termination notice or any demand from the Company, the penalty in favor of the Company for the amount in PLN equivalent to EUR 25,000 for each instance of infringement and an amount in PLN equivalent to EUR 1,000 for each day in which such an infringement takes place or is continued. The Company as at December 31, 2014 possessed also the contingent liabilities for the amount of PLN 8,339 thousand. In the year 2013 the conditional receivables amounted to PLN 736 thousand and conditional liabilities amounted to PLN 8,171 thousand.

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

50. Important litigate cases and disputes

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

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

Additional information and explanations to the annual financial statement represent its integral part

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

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

According to the Company's knowledge, a list of claims towards PNI was prepared. Claims of Trakcja PRKił S.A. were accepted in the amount of PLN 10,569,163.16, including PLN 10 274 533.87 due to unpaid invoices and PLN 294,632.29 due to interest for delay in payment. It was refused to accept receivables due to contractual penalties and other claims in the total amount of PLN 44,956,834.35. The Company does not agree with the refusal to accept the aforementioned part of claims; therefore, an objection was submitted to the judge commissioner concerning the refusal in the aforementioned scope. The court rejected the objection, therefore the Company filed a complaint. The case is pending.

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

In connection with the contract concluded on May 31, 2010 by the consortium led by Trakcja PRKił, with PKP PLK S.A., in regard to construction works relating to the complex modernization of the station and routes in LCS Działdowo within the scope of the project POLiŚ 7.1-41: "Modernization of the railway line E-65/C-E 65 at the Warsaw - Gdynia section - LCS Działdowo area", the Company informs that the case for the payment to Trakcja PRKił by PKP PLK S.A. of a contractual penalty (case described in the report for Q3 2014 and previous reports) as a result of conducted negotiations ended with conclusion of a court settlement on February 4, 2015. Pursuant to this settlement, PKP PLK S.A. undertook to pay to the consortium the amount of PLN 15,740,228.58. As of the date of this report, the above amount was paid by PKP PLK S.A.

51. Dividends paid and declared

In 2014 Trakcja PRKił did not pay any dividend. On June 12, 2014, the Ordinary General Meeting of Shareholders of Trakcja PRKił S.A. was held and a resolution was adopted on assigning the entire amount of net profit of the year 2013 to cover the loss of the period started on January 1, 2012 and ended on December 31, 2012.

52. Assets pledged as security

Assets pledged as security by their book value:

	31.12.2014	31.12.2013
	Badane	Przekształcone
Tangible non-current assets	43 780	53 570
Investment property	17 602	25 699
Deposits	25 530	15 831
Receivables	172 380	94 357
Total	259 292	189 457

In order to secure the obligations of the Issuer with respect to the bond-holders of Series C Bonds, on January 23, 2013, the Company entered into a pledge agreement, as a result of which the Lithuanian Register of Mortgage registered a pledge on all of the shares of AB Kauno Tiltai company. The maximum value of the pledge was set at PLN 44,294 thousand.

53. Information about granted guarantees and warrants as well as securities on the property

As at December 31, 2014, the Company had the following securities established on its assets:

Mortgages

Charged property	The amount of a mortgage	Mortgaged	Comments
Real estate situated in Warsaw at Street Gołędzinowska, Skaryszewska, Gniewkowska, Oliwska and in Wrocław Street Lotnicza	217 500	Credit and Guarantee line	Tangible non-current assets, Investment properties
The property is located in Wrocław Street Kniaziewiczza	12 000	Credit	Tangible non-current assets
TOTAL	229 500		

Deposits

Collateral	The amount of load
Securing proper execution of contracts	6 293
Secure payment on the lease agreements	1 182
Tender guarantee	17 429
Other	626
Total	25 530

54. Information on related companies

Total amounts of transactions concluded with related entities in the given financial year are presented below:

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial income due to dividends received	Financial revenue from FX differences and other
Shareholders:							
COMSA S.A.	1.01.14-31.12.14	-	1 274	-	-	-	-
	1.01.13-31.12.13	-	-	-	-	-	9
Subsidiaries:							
PRK7	1.01.14-31.12.14	18	551	-	-	-	-
Nieruchomości	1.01.13-31.12.13	49	46	-	86	1 000	-
Torprojekt Sp. z o.o.	1.01.14-31.12.14	149	978	-	-	-	-
	1.01.13-31.12.13	124	2 077	-	-	-	-
AB Kauno Tiltai	1.01.14-31.12.14	2 866	10	-	-	14 824	-
	1.01.13-31.12.13	3 359	33	-	-	-	-
PEUiM Sp. z o.o.	1.01.14-31.12.14	144	-	759	-	-	-
	1.01.13-31.12.13	6 932	-	838	-	-	-
Dalba Sp. z o.o.	1.01.14-31.12.14	34	-	-	-	-	-
	1.01.13-31.12.13	-	-	-	-	-	-
AB Kauno Tiltai	1.01.14-31.12.14	-	4	-	-	-	-
Lenkijos skyrius	1.01.13-31.12.13	-	6	-	-	-	-
Joint venture:							
BTW Sp. z o.o.	1.01.14-31.12.14	665	6 976	-	-	-	-
	1.01.13-31.12.13	759	3 160	-	-	-	-
Total	1.01.14-31.12.14	3 875	9 793	759	-	14 824	-
	1.01.13-31.12.13	11 223	5 322	838	86	1 000	9

Additional information and explanations to the annual financial statement represent its integral part

Information concerning receivables and liabilities from / to related companies at the end of the financial year is presented below:

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders:					
COMSA S.A.	31.12.2014	-	1 050	-	-
	31.12.2013	-	1 084	-	-
Subsidiaries:					
PRK7 Nieruchomości Sp. z o.o.	31.12.2014	127	74	-	-
	31.12.2013	692	-	-	-
TORPROJEKT Sp. z o.o.	31.12.2014	30	336	-	-
	31.12.2013	4	723	-	-
AB Kauno Tiltai	31.12.2014	3 002	3	-	-
	31.12.2013	3 305	5	-	-
PEUiM Sp. z o.o.	31.12.2014	23	-	19 088	-
	31.12.2013	1 212	-	17 130	-
Dalba Sp. z o.o.	31.12.2014	5	-	-	-
	31.12.2013	-	-	-	-
AB Kauno Tiltai Lenkijos skyrius	31.12.2014	-	1	-	-
	31.12.2013	-	7	-	-
Joint venture:					
BTW Sp. z o.o.	31.12.2014	19	2 331	-	-
	31.12.2013	23	1 434	-	-
Total	31.12.2014	3 205	3 794	19 088	-
	31.12.2013	5 237	3 252	17 130	-

Transactions with related parties are concluded at market conditions.

The balance of loans granted to related parties as at December 31, 2014 is presented below:

Borrower	Amount of loan (th. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
PEUiM Sp. z o.o.	4 000	PLN	31.12.2015	WIBOR 1 M+ margin	4 595	subsidiary
PEUiM Sp. z o.o.	10 500	PLN	31.12.2015	WIBOR 1 M+ margin	11 723	subsidiary
PEUiM Sp. z o.o.	900	PLN	31.12.2015	WIBOR 1 M+ margin	990	subsidiary
PEUiM Sp. z o.o.	500	PLN	31.12.2015	WIBOR 1 M+ margin	550	subsidiary
PEUiM Sp. z o.o.	1 200	PLN	31.12.2015	WIBOR 1 M+ margin	1 230	subsidiary
TOTAL	17 100				19 088	

Loans to subsidiaries are included in the short-term part in the position "Other financial assets".

Members of Trakcja PRKił S.A. Management Board were not the shareholders or members controlling, co-controlling or having important influence on any entities outside Trakcja Group.

In 2014, no material transactions with key management personnel of the Company were concluded.

Additional information and explanations to the annual financial statement represent its integral part

55. Information on the benefits for key personnel

Remuneration of the managers of higher level and members of the supervisory bodies of the Company in 2014:

The remuneration of the Management Board of Trakcja PRKiI:

Remuneration of the Management Board	Financial year ended			
	31.12.2014 Audited		31.12.2013 Modified	
	In Parent Company	In subsidiaries	In The Parent Company	In subsidiaries
Remuneration and other short-term employee benefits	5 582	1 220	2 988	180
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Benefits due to termination of employment	1 487	-	3 337	-
Share-based payment	-	-	-	-
Total	7 069	1 220	6 325	180

*) The salary includes the compensation paid due to resignation or dismissal from the position.

The remuneration of the Supervisory Board of Trakcja PRKiI

Remuneration of the Supervisory Board	Financial year ended			
	31.12.2014 Audited		31.12.2013 Modified	
	In Parent Company	In subsidiaries	In The Parent Company	In subsidiaries
Remuneration and other short-term employee benefits	438	-	307	240
Total	438	-	307	240

56. Important events during the financial year and after the balance sheet date

After the balance sheet date to the date of publication of this annual report, i.e. March 16, 2015, no events occurred that were not, and should be included in the books of account.

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

Additional information and explanations to the annual financial statement represent its integral part

Significant contracts - other

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

Changes in the Group

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

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

The process of consolidation of shares

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

Other

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

Significant events after the balance sheet date**CR****Significant agreements - construction contracts**

Signing by Trakcja PRKiI S.A. and PKP PLK S.A. the annexe to the material agreement for design and reconstruction of the railway station Łódź Widzew as well as part of the route Łódź Fabryczna – Łódź Widzew from 2,250 km to 7,200 km, including signalling and telecommunications equipment for the entire section Łódź Fabryczna – Łódź Widzew, and modernisation of roundabout line Łódź Widzew – Łódź Chojny – Łódź Kaliska, concluded on June 30, 2011. Appendix changes the date of the contract as at December 14, 2015.	CR 1/2015
Signing by Company and PKP PLK S.A. of the agreement for the "Performance of additional works such as designing and constructing the collision-free two-level crossing of the railway line no. 17 and Niciarniana street in Łódź, under the OPIE 7.1 – 24.2 "Improvement of the Łódź Railway Junction (TEN-t), stage 1, Łódź Widzew – Łódź Fabryczna section"". The net value of the contract PLN 56,045,000.00. The term of the full scope of this contract is divided into parts and the latest of them will be made until August 30, 2016.	CR 2/2015
Signing by Trakcja PRKiI S.A. the Representative of the Consortium and PKP PLK S.A. modifying the material agreement no. 90/104/121/00/17000031/10/I/I of November 30, 2010 with respect to the "Modernisation of E30 railway line, stage 2, Zabrze - Katowice - Cracow section Tender no. 1 - Modernisation of the following sections: Jaworzno Szczakowa – Trzebinia (15,810 - 29,110 km of line no. 133) Jaworzno Szczakowa – Sosnowiec Jęzor (0,000 – 6,847 km of line 134)". Under the agreement has been modified time limit for completion of the works until June 30, 2015 and the scope of work which will be the new net value PLN 55.860.846,48.	CR 3/2015
Making a settlement by Consortium Trakcja Polska and PKP PLK S.A. the Agreement concluded on 31 May 2010 with respect to the performance of construction works of the comprehensive modernisation of rail station and route in the area LCS Działdowo under OPI&E 7.1-41: "Modernisation of railway line E-65/C-E 65 in the section Warsaw - Gdynia - LCS Działdowo". Making the pre-court Agreement with the Ordering Party, on the basis of which the Ordering Party is obliged to pay for the benefit of the Consortium the amount of PLN 15,740,228.58. Additionally, regardless of the Agreement, the Ordering Party undertakes to pay the Consortium the amount of PLN 7,259,771.42 to cover the costs of performing the Contract in the extended period of time and the Contract Engineer accepted the gross amount of PLN 17,997,919.06, which the Ordering Party undertook to pay for the benefit of the	CR 6/2015

Changes in the composition of the Management Board

On February 19, 2015 Mr Roman Przybył submitted his resignation from the position of the President of the Management Board. The reasons of the resignation are indicated as personal. In conjunction with the resignation tendered by Mr Roman Przybył the Supervisory Board today appointed Mr Jarosław Tomaszewski, Chief Financial Officer and the Vice-President of the Management Board, as the acting President of the Management Board. Moreover the Supervisory Board accepted withdrawal of Miss Marita Szustak's statement of resignation from being member of the Management Board.	CR 8/2015
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Other

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

CR - current report

57. Financial statements under high inflation

The cumulated average annual rate of inflation for the last 3 years for each of the periods covered by this financial information did not exceed the value of 100%, therefore there was no need to convert the financial statements by the price-change index.

58. Employment

Average employment in the Company was as follows:

	Financial year ended	
	31.12.2014 Audited	31.12.2013 Modified
Average employment in the Company during the period:		
Management Board of Parent entity	5	5
Administration	142	145
Sales department	4	25
Production division	851	861
Other employees	11	15
Total	1 013	1 051

Employment in the Company as at the balance sheet was as follows:

	31.12.2014	
	Audited	31.12.2013 Modified
Employment in the Company		
Management Board of Parent entity	5	6
Administration	139	153
Sales department	4	24
Production division	853	817
Other employees	11	14
Total	1 012	1 014

59. Company Social Benefits Fund assets and liabilities

The Law of 4 March 1994 on the company social benefits fund as amended, states that the Company Social Benefits Fund is created by the manufacturers that employ over 20 full-time employees. The Company creates such a fund and performs periodical write-offs in the amount of the basic write-off. The Goal of the Fund is to subsidize social activity of the Company, loans granted to its employees and the remaining social costs. The

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Company has compensated assets of the Fund with its own liabilities to the Fund, because these assets do not represent separate assets of the Company.

The table presents an analysis of assets, liabilities, costs and net balance of the compensated assets and liabilities of the Fund:

	31.12.2014	31.12.2013
	Audited	Modified
Loans granted to employees	1 118	1 157
Cash	889	513
Liabilities attributable to the Fund	(1 191)	(1 435)
Balance after compensation	816	235
Contributions to the fund during the financial period	1 275	1 309

60. Remuneration of the Auditor

On the basis of the resolution of the Supervisory Board of Trakcja PRKiI the entity authorized to audit the statement of the Group and the Parent company is Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with the seat in Warsaw, Al. Jana Pawła II 19 str.

On June 10, 2014 the Parent company concluded a contract with Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. to:

- review the semi-annual standalone and consolidated financial statement made as per June 30, 2014 according to the International Accountancy Standards,
- an audit the annual standalone and consolidated financial statement made as per December 31, 2014 according to the International Accountancy Standards.

The contract was concluded for the period of execution of the subject of the contract.

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

	Financial year ended	
	31.12.2014	31.12.2013*
	Audited	Modified
On account of agreement for financial statement audit	148	110
On account of agreement for financial statement review	77	55
On account of tax advisory	-	9
On account of other agreements	-	10
Total	225	184

**) In 2013 the entity authorized to audit the statement of the Group and the Parent company was BDO Sp. z o. o. Due to this fact the amounts indicated in the above table for the year ended on December 31, 2013 refer to the services provided by BDO Sp. z o. o.*

The remuneration for the audit of the selected companies of Trakcja Group is paid on the basis of the separate agreements concluded between the entity authorized to audit the financial statements and each of the selected companies of the Group.

Warsaw, March 16, 2015

Jarosław Tomaszewski
Acting 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

Statement prepared by:

Elżbieta Okuła
Chief Accountant

TRAKCJA PRKi S.A.
WARSAW, ZŁOTA 59

FINANCIAL STATEMENTS
FOR THE 2014 FINANCIAL YEAR

WITH
AUDITOR'S OPINION
AND
AUDIT REPORT

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REPORT ON THE ACTIVITIES OF THE COMPANY FOR THE 2014 FINANCIAL YEAR

AUDITOR'S OPINION

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

We have audited the attached financial statements of Trakcja PRKiI S.A. with its registered office in Warsaw at Złota 59 (hereinafter: the "Company"), including balance sheet prepared as of 31 December 2014, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement for the financial year from 1 January 2014 to 31 December 2014 and notes comprising a summary of significant accounting policies and other explanatory information as required by the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations.

Preparation of financial statements and a report on the activities in line with the law is the responsibility of the Management Board of the Company.

The Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the financial statements with the accounting principles (policy) adopted by the Company and whether the financial statements give a true and fair view of the financial and economic position as well as the financial performance of the Company and on the correctness of the underlying accounting records.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act;
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) and material estimates applied by the Company, verification – largely on a test basis – of the accounting evidence and records supporting the amounts and disclosures in the financial statements, as well as overall evaluation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements in all material respects:

- give a true and fair view of the information material to evaluation of the economic and financial position of the Company as of 31 December 2014 as well as its financial performance in the financial year from 1 January 2014 to 31 December 2014;
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and in all matters not regulated in the standards - in accordance with the provisions of the Accounting Act and its executory provisions and based on properly kept accounting records;
- comply with the provisions of law and the articles of association of the Company, which affect the contents of the financial statements.

The financial statements of the Company for the prior financial year ended 31 December 2013 were audited by another certified auditor who issued an unqualified opinion on those financial statements on 21 March 2014.

The Report on the activities of the Company for the 2014 financial year is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133) and consistent with underlying information disclosed in the audited financial statements.

Maciej Krasoń
Key certified auditor
conducting the audit
No. 10149

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

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

Warsaw, 16 March 2015

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OF TRAKCJA PRKiI S.A.
FOR THE 2014 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Company

The Company operates under the business name Trakcja PRKiI S.A. (hereinafter: the "Company"). The Company's registered office is located in Warsaw at Złota 59.

The Company operates as a joint stock company. The Company is recorded in the Register of Entrepreneurs kept by the District Court, XII Business-Registry Division in Warsaw, under KRS number 0000084266.

The Company operates based on the provisions of the Code of Commercial Companies.

As of 31 December 2014, the Company's share capital equaled PLN 41,119,638.40 and was divided into 51,399,548 ordinary shares with a face value of PLN 0.80 each. In the audited period, the Company conducted activities mainly in the area of construction of civil engineering structures and specialized construction.

Composition of the Management Board as of the date of the opinion:

- | | |
|------------------------|---|
| – Jarosław Tomaszewski | – acting as Chairman of the Management Board; |
| – Marita Szustak | – Vice-Chairman of the Management Board; |
| – Nerijus Eidukevičius | – Vice-Chairman of the Management Board; |
| – Stefan Dziedziul | – Vice-Chairman of the Management Board. |

Changes in the composition of the Management Board during the audited period and until the date of the opinion:

- on 31 December 2014 Stefan Dziedziul resigned the office of Member of the Management Board – his mandate revokes at 31 March 2015,
- on 19 February 2015 Roman Przybył resigned the office of Member of the Management Board and his mandate was revoked the very same day,
- on 19 February 2015 the Supervisory Board appointed Jarosław Tomaszewski to hold the position of the Chairman of the Management Board effective from 19 February 2015.

2. Information on the financial statements for the previous financial year

The activities of the Company in 2013 according to approved financial statements resulted in a net profit of PLN 26,219,635.62. The financial statements of the Company for the 2013 financial year were audited by a certified auditor. The audit was performed by authorized entity BDO Sp. z o.o. The certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2013 financial year was held on 12 June 2014. The General Shareholders' Meeting decided to distribute the net profit for 2013 in the following manner:

- coverage of losses incurred in previous years – PLN 26,219,635.62.

The financial statements for the 2013 financial year were submitted to the National Court Register (KRS) on 26 June 2014.

The consolidated financial statements for the 2013 financial year were submitted to the National Court Register (KRS) on 26 June 2014.

3. Details of the authorized entity and the key certified auditor acting on its behalf

The entity authorized to audit the financial statements was appointed by the Supervisory Board. The audit of the financial statements was performed based on the agreement of 10 June 2014 concluded between the Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Maciej Krason, key certified auditor (No. 10149), in the registered office of the Company from 24 to 28 November 2014, from 9 to 27 February 2015 and outside the Company's premises until the opinion date.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting the audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Journal of Laws of 2009 No. 77, item 649 as amended) to express an unbiased and independent opinion on the financial statements of the Company.

4. Availability of data and management's representations

The scope of our audit was not limited.

During the audit, necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 16 March 2015.

II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY

Presented below are the main items from the income statement and balance sheet as well as financial ratios describing the financial performance of the Company and its economic and financial position compared to the prior year.

<u>Main items from the income statement (PLN '000)</u>	<u>2014</u>	<u>2013</u>
Sales revenue	966,084	752,473
Operating expenses	(899,824)	(741,240)
Operating profit (loss)	57,000	26,490
Net profit (loss)	49,797	24,808

<u>Main items from the balance sheet (PLN '000)</u>		
Inventory	19,719	42,191
Trade receivables	370,158	352,587
Current assets	468,928	478,363
Total assets	1,072,553	1,084,575
Equity	581,244	533,977
Short-term liabilities (including short-term provisions and accruals)	431,325	453,022
Trade liabilities	265,691	220,008
Total liabilities and provisions	491,309	550,598

<u>Profitability and efficiency ratios</u>	<u>2014</u>	<u>2013</u>
– return on sales	6%	4%
– net return on equity	9%	5%
– assets turnover ratio	0.90	0.69
– receivables turnover in days	135	105
– liabilities turnover in days	97	91
– inventory turnover in days	12	20

<u>Liquidity/Net working capital</u>		
– debt ratio	46%	51%
– equity to fixed assets ratio	54%	49%
– net working capital (PLN '000)	37,603	25,341
– current ratio	1.09	1.06
– quick ratio	1.04	0.96

An analysis of the above figures and ratios indicated the following trends in 2014:

- increase of return on sales and net return on equity;
- increase of assets turnover ratio;
- increase of receivables and liabilities turnover ratios accompanied by a decrease of inventory turnover ratio;
- decrease of debt ratio;
- increase of equity to fixed assets ratio;
- increase of net working capital;
- increase of current and quick ratios.

III. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation describing the adopted accounting principles, complying in all material respects with Article 10 of the Accounting Act, and in respect of valuation of assets and liabilities and presentation of the financial statements complying with the requirements of IFRS and adopted for use by the Management Board. The basic principles of valuation of assets and liabilities and the measurement of the financial result are described in the explanatory notes.

The accounting policies, which the Company has the option to choose under IFRS, were chosen in such a way so as to properly reflect the Company's operations, its financial position and financial results achieved. The accounting principles (policies) applied to prepare the financial statements are consistent with those applied in preparing the financial statements for the year ended 31 December 2013, with the exception of the matters described below.

In the audited financial year, the Company made changes in accounting policies regarding the recognition of income, expenses, assets and liabilities arising from consortium agreements, the recognition of the right of perpetual usufruct of land and the presentation of costs for employee benefits.

The above changes and their impact on particular items of the profit and loss account and the balance sheet are described in Note 10 to the financial statements of Trakcja PRKiI S.A. as at 31 December 2014.

Based on tests performed during the audit procedures, we have verified the adopted accounting system and found no misstatements that would affect the financial statements. Our audit did not include, though, the entire accounting system used by the Company.

The Company performed a physical count of assets and liabilities within the scope necessary to confirm the existence of the presented assets and liabilities.

2. Information identifying the audited financial statements

The audited financial statements were prepared as of 31 December 2014 and include:

- balance sheet prepared as of 31 December 2014, with total assets and liabilities plus equity of PLN 1,072,553 thousand;
- income statement for the period from 1 January 2014 to 31 December 2014, with a net profit of PLN 49,797 thousand;
- statement of comprehensive income for the period from 1 January 2014 to 31 December 2014 with a total comprehensive income of PLN 48,356 thousand;
- statement of changes in equity for the period from 1 January 2014 to 31 December 2014, disclosing an increase in equity of PLN 47,267 thousand;
- cash flow statement for the period from 1 January 2014 to 31 December 2014, showing a cash outflow of PLN 19,631 thousand;
- notes, comprising a summary of significant accounting policies and other explanatory information.

3. Information about selected material items of the financial statements

The structure of assets and liabilities as well as items affecting the financial result have been presented in the financial statements.

Property, plant and equipment

The item of property, plant and equipment of the Company includes:

- fixed assets in the amount of PLN 103,875 thousand;
- fixed assets under construction in the amount of PLN 9,554 thousand.

Additional information to the financial statements correctly describe changes in fixed assets and fixed assets under construction, including disclosure of any impairment losses on such assets.

Investment in subsidiaries measured by the equity method

The Company holds interests in the following units:

PRK 7 Nieruchomości Sp. z o.o.	– PLN 16,516 thousand	– 100% share;
Torprojekt Sp. z o.o.	– PLN 1,400 thousand	– 100% share;
AB Kauno Tiltai	– PLN 364,109 thousand	– 96.84% share;
PEUIM Sp. z o.o.	– PLN 65 thousand	– 0.2% share.

As an investment in subsidiary measured by the equity method the Company recognizes a 50% share in the capital of Bahn Technik Wrocław Sp. z o.o. with a value of PLN 2,008 thousand.

As a result of verification of the impairment tests prepared by the Company as at 31 December 2014, it has been confirmed that there is no risk of permanent loss of value of shares held.

Inventory

The structure of inventory and related impairment losses has been correctly presented in the relevant explanatory note to the balance sheet.

Below the ageing structure of inventory subject to ageing has been disclosed:

Retention time	Value of inventory (gross)
below 30 days	5,795,898
30 - 89	10,039,626
90 - 179	2,293,555
180 - 269	1,220,011
270 - 364	269,680
above 365 days	2,304,439
SUM	21,923,209

Receivables

Ageing of trade receivables has been correctly presented in the respective explanatory note to the balance sheet, together with related impairment losses.

Liabilities

The nature of contracted loans, security and maturity has been presented in the notes to the financial statements.

Ageing of trade liabilities has been disclosed in the relevant explanatory note to the balance sheet.

Prepayments, accruals and provisions for liabilities

The structure of prepayments, accruals and provisions for liabilities is presented in notes.

4. Completeness and correctness of drawing up the notes and explanations and the report on the activities of the Company

The Company confirmed the validity of the going concern principle in the preparation of the financial statements. The notes and explanations give a correct and complete description of measurement principles regarding assets, liabilities, financial result and principles of preparation of the financial statements.

The notes to the financial statements give a correct and complete description of the reporting items and clearly present other information required under IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Company in the 2014 financial year. The report contains information required under Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133). We have audited the report with respect to the disclosed information derived directly from the audited financial statements.

IV. FINAL NOTES

Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Company's Management Board, in which the Board stated that the Company complied with the laws in force.

Maciej Krasoń
Key certified auditor
conducting the audit
No. 10149

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

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

Warsaw, 16 March 2015