



TRAKCJA CAPITAL GROUP

CONSOLIDATED HALF-YEARLY REPORT
FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2017

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

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SELECTED FINANCIAL DATA OF TRAKCJA CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
30.06.2017 r.	4,2474	4,1737	4,4157	4,2265
31.12.2016 r.	4,3757	4,2355	4,5035	4,4240
30.06.2016 r.	4,3805	4,2355	4,4987	4,4255

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

Key items of the consolidated balance sheet translated into the euro:

	30.06.2017		31.12.2016	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	736 228	174 193	721 725	163 139
Current assets	684 326	161 913	675 008	152 578
Total assets	1 420 554	336 106	1 396 733	315 717
Equity	736 402	174 234	775 967	175 399
Long-term liabilities	136 013	32 181	153 550	34 709
Short-term liabilities	548 139	129 691	467 216	105 609
Total equity and liabilities	1 420 554	336 106	1 396 733	315 717

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

Key items of the consolidated income statement translated into the euro:

	For the period 6 months ended 30.06.2017		For the period 6 months ended 30.06.2016	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	537 648	126 583	478 829	109 309
Cost of goods sold	(507 999)	(119 603)	(422 482)	(96 446)
Gross profit (loss) on sales	29 649	6 980	56 347	12 863
Operating profit (loss)	6 119	1 441	25 184	5 749
Gross profit (loss)	2 429	572	22 518	5 140
Net profit (loss) from continued operations	1 089	256	18 663	4 260
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	1 089	256	18 663	4 260

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

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

	For the period 6 months ended 30.06.2017		For the period 6 months ended 30.06.2016	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(47 780)	(11 249)	(196 325)	(44 818)
Cash flows from investment activities	(19 485)	(4 588)	(708)	(162)
Cash flows from financial activities	(10 776)	(2 537)	(11 910)	(2 719)
Total net cash flows	(78 041)	(18 374)	(208 943)	(47 699)

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

	30.06.2017		30.06.2016	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	146 360	33 083	251 317	58 974
Cash at end of period	68 319	16 165	42 374	9 575

The exchange rates adopted for the purpose of calculating the above data of the consolidated statement of cash flows are as follows:

- for the cash at end of period – the exchange rate established by the National Bank of Poland on the last day of the reporting period concerned,
- for the cash at start of period – the exchange rate established by the National Bank of Poland on the last day of the reporting period preceding the reporting period concerned.

The EUR/PLN exchange rate on the last day of the reporting period ended December 31, 2015 was PLN 4.2615.



TRAKCJA CAPITAL GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2017
PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKił S.A. has approved the condensed consolidated financial statements of Trakcja Capital Group for the period from January 1, 2017 to June 30, 2017.

The condensed consolidated financial statements for the period from January 1, 2017 to June 30, 2017 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union.

Information included herein is presented in the following sequence:

1. Consolidated income statement for the period from January 1, 2017 to June 30, 2017, which shows a net profit of PLN **1,089** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2017 to June 30, 2017, which shows the negative total comprehensive income of PLN **(-13,028)** thousand.
3. Consolidated balance sheet as at June 30, 2017, which shows the total assets and total equity and liabilities of PLN **1,420,554** thousand.
4. Consolidated statement of cash flows for the period from January 1, 2017 to June 30, 2017, which shows a decrease in the total net cash flows by PLN **78,041** thousand.
5. Consolidated statement of changes in equity for the period from January 1, 2017 to June 30, 2017, which shows a decrease in the total equity by PLN **39,565** thousand.
6. Selected explanatory notes.

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

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

Jarosław Tomaszewski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Warsaw, August 30, 2017

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
		<i>Unaudited</i>	<i>Unaudited</i>
Continued operations			
Sales revenues	14	537 648	478 829
Cost of goods sold		(507 999)	(422 482)
Gross profit (loss) on sales		29 649	56 347
Cost of sales, marketing and distribution		(2 974)	(3 312)
General and administrative costs		(23 062)	(29 238)
Other operating revenues	15	3 569	4 684
Other operating costs	16	(1 063)	(2 613)
Share of profit (losses) of joint venture	41	-	(684)
Operating profit (loss)		6 119	25 184
Financial revenues	17	1 965	2 277
Financial costs	18	(5 655)	(4 943)
Gross profit (loss)		2 429	22 518
Income tax	19	(1 340)	(3 855)
Net profit (loss) from continued operation		1 089	18 663
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit (loss) for the period		1 089	18 663
Attributable to:			
Shareholders of parent entity		917	18 153
Non-controlling interests		172	510
Profit per share attributable to shareholders in the period (PLN per share)			
- basic		0,02	0,35
- diluted		0,02	0,35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
		<i>Unaudited</i>	<i>Unaudited</i>
Net profit (loss) for the period		1 089	18 663
Other comprehensive income:			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		(16)	545
Actuarial gains/(losses)		(16)	545
Other comprehensive income that will be reclassified to profit or loss:		(14 101)	9 641
Foreign exchange differences on translation of foreign operations		(14 959)	11 536
Cash flow hedging instruments	33	858	(1 895)
Total other comprehensive income		(14 117)	10 186
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(13 028)	28 849

CONSOLIDATED BALANCE SHEET

ASSETS	Note	30.06.2017	31.12.2016
		<i>Unaudited</i>	<i>Audited</i>
Non-current assets		736 228	721 725
Tangible non-current assets	20	266 990	247 489
Intangible assets		54 383	55 291
Goodwill from consolidation	22	330 162	337 855
Investment properties	23	20 961	21 226
Investments in other units		32	25
Other financial assets	24	46 045	46 502
Deferred tax assets	19	9 576	10 707
Construction contracts and advances paid towards contracts being performed	28	296	-
Accruals		7 783	2 630
Current assets		684 326	675 008
Inventory	25	102 250	75 861
Trade and other receivables	26	381 956	399 586
Income tax receivables		5 366	-
Other financial assets	24	8 277	8 660
Cash and cash equivalents	27	68 331	148 799
Accruals		11 225	6 019
Construction contracts and advances paid towards contracts being performed	28	106 921	36 083
Total assets		1 420 554	1 396 733
Equity and liabilities			
Equity attributable to shareholders of parent entity		731 826	771 137
Share capital	29	41 120	41 120
Share premium account		309 984	309 984
Revaluation reserve		5 765	5 765
Other capital reserves		361 981	332 659
Retained earnings		917	54 685
Foreign exchange differences on translation of foreign operations		12 059	26 924
Non-controlling interests	30	4 576	4 830
Total equity		736 402	775 967
Long-term liabilities		136 013	153 550
Interest-bearing loans and borrowings	31	99 060	100 666
Provisions	34	17 826	27 650
Liabilities due to employee benefits	34	6 386	11 134
Provision for deferred tax	19	7 983	8 068
Derivative financial instruments	33	4 693	5 957
Other financial liabilities		65	75
Short-term liabilities		548 139	467 216
Interest-bearing loans and borrowings	31	25 328	22 003
Trade and other liabilities	36	341 707	309 988
Provisions	34	21 350	35 353
Liabilities due to employee benefits	34	13 940	11 424
Income tax liabilities		-	4 922
Derivative financial instruments	33	973	1 018
Accruals		376	361
Construction contracts and advances received towards contracts being performed	28	143 979	80 432
Advances received towards flats		486	1 715
Total equity and liabilities		1 420 554	1 396 733

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
		Unaudited	Unaudited
Cash flows from operating activities			
Gross profit from continued operations		2 429	22 518
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		(50 209)	(218 843)
Depreciation		14 346	11 421
FX differences		(273)	799
Net interest and dividends		3 013	1 735
Profit on investment activities		(2 135)	(3 879)
Share of profits of joint venture		-	684
Change in receivables		29 053	(193 957)
Change in inventory		(27 017)	(25 270)
Change in liabilities, excluding loans and borrowings		(3 069)	10 218
Change in prepayments and accruals		(31 023)	1 124
Change in provisions		(20 399)	4 726
Change in construction contracts		(3 514)	(22 276)
Change in financial derivatives		(997)	2 198
Income tax paid		(4 975)	(7 750)
Other		972	(1 013)
Foreign exchange differences on translation of foreign operations		(4 191)	2 397
Net cash flows from operating activities		(47 780)	(196 325)
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(21 538)	(8 130)
- acquisition		(22 997)	(12 019)
- sale		1 459	3 889
Financial assets		2 185	7 301
- sold or returned		6 087	9 151
- repaid		(3 902)	(1 850)
Loans		(210)	-
- granted		(210)	-
Interest received		78	121
Net cash flows from investment activities		(19 485)	(708)
Cash flows from financial activities			
Proceeds on account of taken borrowings and loans		5 195	11 659
Repayment of borrowings and loans		(5 667)	(15 163)
Interest and commissions paid		(3 795)	(2 869)
Dividends paid to non-controlling shareholders		(382)	-
Payment of liabilities under financial lease agreements		(5 941)	(5 233)
Outflows (inflows) from other financial liabilities		(186)	(304)
Net cash flows from financial activities		(10 776)	(11 910)
Total net cash flows		(78 041)	(208 943)
Net FX differences		-	-
Cash at start of period		146 360	251 317
Cash at end of period	27	68 319	42 374
- with limited access	27	-	959

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to shareholders of parent entity											
	Share capital	Share premium account	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity	
				Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
As at 1.01.2017 Audited	41 120	309 984	5 765	(4 162)	(404)	337 225	26 924	54 685	771 137	4 830	775 967
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2017 after adjustments	41 120	309 984	5 765	(4 162)	(404)	337 225	26 924	54 685	771 137	4 830	775 967
Net profit for the period	-	-	-	-	-	-	-	917	917	172	1 089
Other comprehensive income	-	-	-	632	(17)	-	(14 865)	-	(14 250)	133	(14 117)
Distribution of profit	-	-	-	-	-	28 985	-	(28 985)	-	-	-
Dividend payment	-	-	-	-	-	-	-	(25 700)	(25 700)	-	(25 700)
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(556)	(556)
Other changes	-	-	-	-	-	(278)	-	-	(278)	(3)	(281)
As at 30.06.2017 Unaudited	41 120	309 984	5 765	(3 530)	(421)	365 932	12 059	917	731 826	4 576	736 402
As at 1.01.2016 Audited	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291
Net profit for the period	-	-	-	-	-	-	-	18 153	18 153	510	18 663
Other comprehensive income	-	-	-	(1 403)	545	-	11 462	-	10 604	(418)	10 186
Distribution of profit	-	-	-	-	-	32 727	-	(32 727)	-	-	-
Payment of dividends	-	-	-	-	-	-	-	(17 476)	(17 476)	-	(17 476)
Payment of dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(582)	(582)
Other changes	-	-	-	-	-	13	-	-	13	6	19
As at 30.06.2016 Unaudited	41 120	309 984	6 178	(5 001)	(818)	337 486	26 533	18 153	733 635	3 466	737 101

Equity attributable to shareholders of Parent entity											
	Share capital	Share premium	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interest	Total equity	
				Hedging instruments	Actuarial gains/(losses)	Results from previous years					
Audited											
As at 1.01.2016	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2016	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291
After adjustments											
Net profit for the period	-	-	-	-	-	-	-	54 685	54 685	1 647	56 332
Other comprehensive income	-	-	(413)	(564)	959	-	11 853	-	11 835	(132)	11 703
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(580)	(580)
Distribution of profit	-	-	-	-	-	32 727	-	(32 727)	-	-	-
Dividend payment	-	-	-	-	-	-	-	(17 476)	(17 476)	-	(17 476)
Other	-	-	-	-	-	(248)	-	-	(248)	(55)	(303)
As at 31.12.2016	41 120	309 984	5 765	(4 162)	(404)	337 225	26 924	54 685	771 137	4 830	775 967
Audited											

CONDENSED ADDITIONAL INFORMATION AND EXPLANATIONS**1. General information**

These condensed consolidated financial statements cover the period of 6 months ended June 30, 2017 and include comparative data for the period of 6 months ended June 30, 2016 and for the period ended December 31, 2016.

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

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

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

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

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

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

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

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

The registered office of the Parent Company is located at ul. Złota 59 in Warsaw. Both the Parent Company and other entities that are members of the Group are established for an indefinite period of time.

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

- foundation and network works,
- installation of traction substations and section cabs,
- installation of high and low voltage overhead and cable lines,
- installation of local supply and control cables,
- manufacturing of products (high, medium and low voltage switching stations, traction network equipment and local control devices),
- specialist equipment services (excavators, railway and truck cranes, boring rigs, pile drivers),

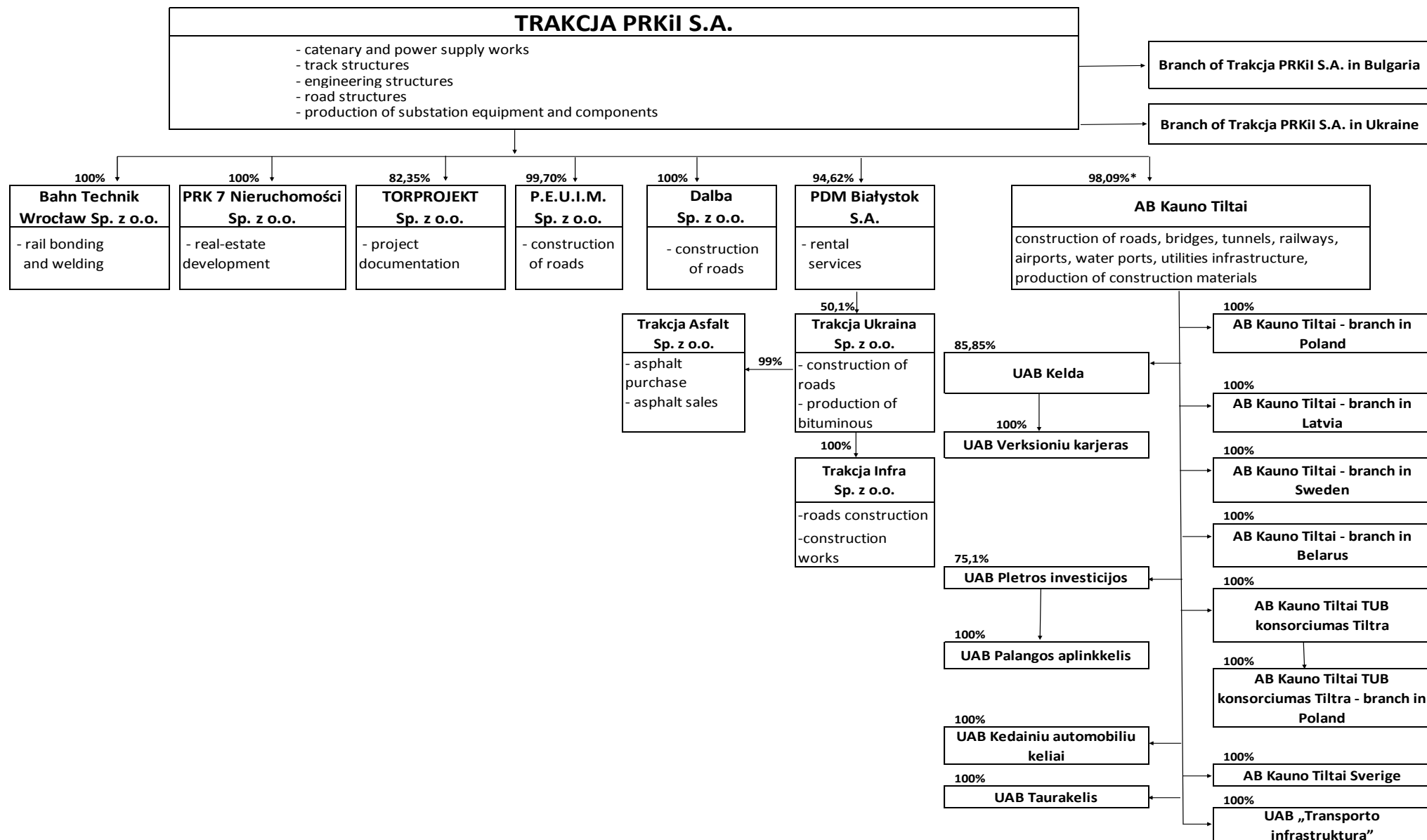
- construction of bridges, viaducts, piers, flyovers, tunnels, underground passings, roads and accompanying elements of rail and road infrastructure.

2. Structure of Trakcja Group, including entities subject to consolidation

As at June 30, 2017 the Group consists of the Parent Company (Trakcja PRKiL S.A.) and its subsidiaries.

In the first half of 2016, the Group held 50% of shares in Bahn Technik Wrocław Sp. z o.o. ("BTW"), classified as a joint venture, whose financial data for 2016 was consolidated under the equity method according to IFRS 11. As at December 30, 2016, Trakcja PRKiL S.A. acquired the remaining 50% of shares in BTW. Thereby the Group has become the owner of BTW. Since the acquisition, BTW has been fully consolidated. The details thereof are provided in Note 3.1 to the Consolidated Annual Report for 2016.

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



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

Fully-consolidated entities:

PRK 7 Nieruchomości Sp. z o.o.

PRK 7 Nieruchomości Sp. z o.o. carries out real estate development activities and has a track record of several successful investment projects, which include, in particular, Lazurowe Osiedle residential project in Warsaw (stage I and II) and the project at ul. Oliwska in Warsaw, as well as the construction of three multi-family residential buildings in Warsaw at ul. Pełczyńskiego. Currently, the company is engaged in selling terraced houses located at ul. Oliwska in Warsaw.

Torprojekt Sp. z o.o.

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

Bahn Technik Wrocław Sp. z o.o.

On December 30, 2016 Trakcja PRKiI became the sole shareholder in Bahn Technik Wrocław Sp. z o.o. ("BTW"). The transaction is described in detail in Note 3.1 of the Consolidated Financial Statements for 2016. Until December 31, 2016 the Group exercised joint control over BTW and classified the company as a joint venture pursuant to IFRS 11. It is recognised that the Group gained control over BTW on December 30, 2016 and since then BTW has been fully consolidated.

The business activities of BTW include the sale of Strail crossing surface offered by Gummiwerk Kraiburg Elastik GmbH, thermite welding, repair and renovation of turnouts, renovation of railway and tramway crossings, provision of pre-stressed, glued insulation joints type S, welding of tram and railway tracks, tamping and profiling of railway and tramway tracks, sale of Perker SR rail lubrication systems and A.Rawie rail buffer stops. In addition, since December 2016, BTW has had a GOTTWALD crane and a DGS track stabilizer. BTW provides its services both in Poland and abroad.

Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. ("PEUiM")

PEUiM operates in the road construction sector and its business activities are concentrated in the north-east of Poland. The company was established in Białystok in 1960. PEUiM specialises in the construction of roads and pavements, and in the installation of signalling and safety devices to secure the roads. The company also manufactures bituminous mass, concrete and other building materials.

Dalba Sp. z o.o.

Dalba Sp. z o.o. is a company with its registered office in Białystok, whose activities involve the performance of engineering works, mainly, during the construction of sanitary infrastructure, roads and streets.

PDM Białystok S.A.

PDM Białystok S.A. is a company with its registered office in Białystok. It provides equipment, premises and tool rental services to external companies and supplies PEUiM with materials.

Establishment of Trakcja PRKiI S.A. in Bulgaria

On March 29, 2016 Trakcja PRKiI S.A. opened an establishment in Bulgaria.

Establishment of Trakcja PRKiI S.A. in Ukraine

On March 3, 2017 Trakcja PRKiI S.A. opened an establishment in Ukraine.

Trakcja Ukraina Sp. z o.o.

On February 9, 2017 a subsidiary named ТРАКЦІЯ УКРАЇНА (Trakcja Ukraina Sp. z o.o.) was established, whose registered office in Dnipro (Ukraine) and whose majority shareholder is PDM Białystok S.A. Trakcja Ukraina Sp. z o.o. has two subsidiaries: Trakcja Infra Sp. z o.o. and Trakcja Asphalt Sp. z o.o. Due to an insignificant impact of the Ukrainian companies on the Group's performance, their data is not included herein.

AB Kauno Tiltai Group

AB Kauno Tiltai is the largest company in the road and bridge construction sector in the Baltic countries. It specialises in the construction and reconstruction of roads, bridges, tunnels, railways, airports, water ports, which is

demonstrated, inter alia, by the fact that since its establishment, i.e. since 1949, AB Kauno Tiltai has constructed over 100 bridges and viaducts and has been responsible for constructing and reconstructing numerous roads in Lithuania.

AB Kauno Tiltai with its registered office in Kaunas is a subsidiary of the Parent Company, Trakcja PRKiI, and simultaneously the parent company in AB Kauno Tiltai Group.

AB Kauno Tiltai Group is composed of the following entities:

- UAB Kelda – a subsidiary with registered office in Vievis (Lithuania); the company's subsidiary is:
 - UAB Verkisioniu karjeras – a subsidiary with its registered office in Bagoteliu K (Lithuania);
- UAB Taurakelis – a subsidiary with its registered office in Tauragė (Lithuania);
- UAB Kedainiu Automobiliu Keliai – a subsidiary with its registered office in Kėdainiai (Lithuania);
- TUB Konsorciumas Tiltra – a subsidiary with its registered office in Kaunas (Lithuania);
- UAB Pletros investicijos – a subsidiary with its registered office in Vilnius (Lithuania);
- UAB Palangos aplinkkelis – a subsidiary with its registered office in Vilnius (Lithuania) established to perform contracts in the framework of public-private partnerships;
- AB Kauno Tiltai Branch in Poland – a branch of AB Kauno Tiltai with its registered office in Białystok (Poland);
- AB Kauno Tiltai Branch in Latvia – a branch of AB Kauno Tiltai with its registered office in Rēzekne (Latvia);
- AB Kauno Tiltai Branch in Belarus – a branch of AB Kauno Tiltai with its registered office in Minsk (Belarus);
- AB Kauno Tiltai Sverige – a subsidiary with its registered office in Malmö (Sweden);
- UAB Transporto infrastruktūra – a subsidiary with its registered office in Vilnius (Lithuania).

The ultimate parent company is COMSA S.A., a Spanish company, which prepares the consolidated financial statements that include, among many, the data of Trakcja Group.

3. Changes in the Group

In the first half-year of 2017 the structure of Trakcja Group was changed. On February 9, 2017 a subsidiary was established with a business name of ТРАКЦІЯ УКРАЇНА (Trakcja Ukraina Sp. z o.o.) and with its registered office in Dnipro (Ukraine), whose majority shareholder is PDM Białystok S.A. and on March 3, 2017 Trakcja PRKiI established a branch of its company in Ukraine. Trakcja Ukraina Sp. z o.o. has two subsidiaries: Trakcja Infra Sp. z o.o. and Trakcja Asfalt Sp. z o.o. Due to an insignificant impact of the Ukrainian companies on the Group's performance, their data is not included herein.

4. Parent Company's Management Board

As at June 30, 2017 the Company's Management Board was composed of the following members:

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

Both in the analysed period and after the balance sheet date, there have been no changes to the Management Board's composition.

5. Parent Company's Supervisory Board

As at June 30, 2017 the Company's Supervisory Board was composed of the following members:

- | | | |
|---------------------------------|---|------------------------------------|
| ▪ Dominik Radziwiłł | – | Chairman of the Supervisory Board; |
| ▪ Łukasz Rozdeiczek-Kryszkowski | – | Member of the Supervisory Board; |
| ▪ Michał Hulbój | – | Member of the Supervisory Board; |
| ▪ Wojciech Napiórkowski | – | Member of the Supervisory Board; |
| ▪ Miquel Llevat Vallespinosa | – | Member of the Supervisory Board; |

- Jorge Miarnau Montserrat – Member of the Supervisory Board;
- Fernando Perea Samarra – Member of the Supervisory Board.

Both in the analysed period and after the balance sheet date, there have been no changes to the Supervisory Board's composition.

6. Approval of the consolidated financial statements

These consolidated financial statements were approved for publication by the Management Board on August 30, 2017.

7. Basis for preparing the consolidated financial statements

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

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

These consolidated financial statements are prepared on the assumption that the Group remains a going concern in the foreseeable future. As at the approval hereof, there are no circumstances that would indicate that any threats exist to the companies within the Group or to the whole Group as a going concern.

8. Statement of compliance

These condensed consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting, approved by the European Union.

These condensed consolidated financial statements do not cover all information or disclosures required in the annual financial statements and they should be read together with the Group's consolidated financial statements for the year ended December 31, 2016.

Measurement currency and currency of the financial statements

The Polish zloty is the measurement currency of the Parent Company and some of the companies within the Group, as well as the reporting currency herein. The euro is the measurement currency of the companies with their registered offices in Lithuania, whereas the Swedish crown (SEK) is the currency of AB Kauno Tiltai Sverige with its registered office in Sweden, the Belarusian rouble (BYN) is the currency of AB Kauno Tiltai Branch in Belarus, the Bulgarian lev (BGN) is the currency of the establishment of Trakcja PRKił S.A. in Bulgaria, and the Ukrainian hryvnia (UAH) is the currency of Trakcja Ukraina Sp. z o.o., Trakcja Infra Sp. z o.o., Trakcja Asphalt Sp. z o.o. and the establishment of Trakcja PRKił S.A. in Ukraine.

9. Significant values based on professional judgement and estimates

Significant values based on professional judgement and estimates are described in detail in Note 7 to the consolidated annual financial statements of Trakcja Group for 2016. In the first half-year of 2017, no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at June 30, 2017.

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

9.1. Professional judgement

Fair value of financial instruments

If the market for financial instruments is not active, their fair value is established by using relevant measurement techniques. When selecting methods and assumptions, the Group follows the professional judgement. The assumptions made for this purpose are presented in Note 47 of the Notes to the consolidated financial statements for 2016.

In the first half-year of 2017, the Group has not changed the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

Classification of leases

The Group classifies a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. This depends on the economic substance of each transaction. For additional information please refer to Note 9.3.4, 42 and 43 to the consolidated financial statements for 2016.

Investment properties

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

Allocation of goodwill to cash generating units

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

Classification of joint contractual arrangements

The Group verifies whether it exercises joint control and determines the type of joint arrangement in which it is involved by considering its rights and obligations under a given arrangement and the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. In the first half-year of 2016, the Group classified its shares held in BTW as a joint venture pursuant to IFRS 11. On December, 30 2016 the Group gained control over BTW and since then the company has been fully consolidated.

Control over related entities

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

Trakcja PRKiI is the sole shareholder in PRK 7 Nieruchomości Sp. z o.o. and has control over the subsidiary. Trakcja PRKiI has become the shareholder in PRK 7 Nieruchomości as a result of the merger between Trakcja and PRK 7 S.A. which in turn owned PRK 7 Nieruchomości Sp. z o.o.

Trakcja PRKiI holds 100% of shares in Bahn Technik Wrocław Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI S.A. has become the owner of the company through the acquisition and obtaining of control over the remaining 50% of shares therein on December 30, 2016.

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

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

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

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

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

The Group's composition and shareholdings are presented in Note 2 of the Notes hereto.

9.2. Estimate uncertainty

Recognition of revenues

If the completion of a construction contract can be estimated reliably, revenues from a construction contract that is in progress in the period from the conclusion thereof to the balance sheet date, less any revenues that have had effect on the financial performance in the preceding financial years, are recognised by reference to the degree of progress in its completion. The Group's companies measure the progress in completion thereof by reference to the

expenses incurred from the conclusion of a given contract to the recognition of revenues in the total contract completion costs. For contracts concluded in foreign currency, sales revenues depend on the fluctuations of the currency exchange rates.

Provisions for additional works

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The largest companies that are members of Trakcja Group are obliged to grant warranty for their services. The provision for additional works depends on the segment in which the companies operate and is based on the Group's historical data. It is subject to individual review and may be increased or decreased when necessary. Any change in the estimates affects the value of the provisions. The change in the provisions for additional works is presented in Note 34.

Provisions for contractual penalties

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

Measurement of employee benefit liabilities

Any employee benefit liabilities for retirement allowances and jubilee bonuses in the current period are estimated on the basis of actuarial methods which take into account the amendments to the remuneration regulations made on June 3, 2017. The amount of liability depends on various factors which are applied as assumptions in the actuarial method. Key assumptions for determining the amount of liability are the discount rate and the average expected increase in wages.

Deferred tax assets

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

Amortisation and depreciation rates

Depreciation and amortisation rates are determined on the basis of the expected economic useful lives of tangible non-current assets and intangible assets. Every year the Group reviews the adopted economic useful lives using current estimates. In the first half-year of 2017, no significant changes were made to the amortisation and depreciation rates applied by the Group.

Investment properties

Investment properties are measured at fair value. The value of investment properties is determined by independent experts who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Group follows the principles set forth in IFRS 13 and in the Real Estate Management Act and also in the Regulation of the Council of Ministers on the detailed principles of property valuation and rules and method for preparing valuation reports. Fair value of investment properties is measured by way of applying measurement techniques that require a maximum use of observable data. As at June 30, 2017 the Group did not perform any measurements, as no circumstances occurred which would indicate that the value of investment properties might have changed.

Goodwill impairment

Pursuant to IAS 36, cash-generating units to which goodwill has been allocated are tested for impairment annually by the Parent Company's Management Board. The tests performed consist in the estimation of the value in use of cash generating units ("CGU") on the basis of future cash flows generated by such units, which are next adjusted to their present value with the use of a discount rate. As at June 30, 2017 the Group did not perform any tests for

impairment, as no circumstances occurred which would indicate that cash generating units might have been impaired. The goodwill impairment losses are described in detail in Note 22.

Impairment of financial assets

Financial assets are tested for impairment using any available and generally applicable methods and taking into account the Group's forecast future cash flows related to the assets concerned.

Write-downs of inventories

The Management Board assesses whether there are any indications that inventories may need to be written down in accordance with Note 9.12 of the Notes to the Consolidated Financial Statements for 2016. For that purpose, the Company estimates the net realisable value of those inventories that lost their functional properties or are no longer useful. The changes in the write-downs of inventories are presented in Note 25 and Note 40.

Impairment of trade receivables and other receivables

The Management Board assesses whether there are any indications that trade receivables and other receivables may need to be impaired. The value of receivables is verified, taking into account the degree of probability of their payment, by way of recognising an impairment loss. Impairment losses depend on the likelihood of collection and the detailed analysis of key components of receivables. Depending on the type of customer and the source of receivables, the recoverability of receivables is assessed either on the basis of an individual analysis of individual receivables or on the basis of the statistical recoverability ratios estimated for collective receivables grouped by age. The recoverability ratios are calculated based on the past recoverability and customer behaviour, including also other factors which in the opinion of the Management Board may affect the recoverability of the current accounts receivable. The changes in the impairment loss on trade receivables and other receivables have been presented in Note 26 and Note 40.

Fair value and its measurement

Some assets and liabilities of the Group are measured at fair value for the purposes of financial reporting. The Group measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. The detailed information on the items measured at fair value is presented in Note 37 and Note 38.

Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 23, Note 40 and Note 47 of the Notes to the consolidated financial statements for 2016.

10. Accounting principles

The condensed consolidated financial statements for the period from January 1, 2017 to June 30, 2017 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union.

These financial statements are presented according to IAS 34 with the same principles being applied for the current and comparable periods and with the comparable period being adjusted accordingly to the changes in the accounting and presentation principles adopted in the current period.

Except for the changes specified in Note 10 hereto, the accounting principles (policy) applied to these condensed consolidated financial statements for the first half-year of 2017 are consistent with those applied to the consolidated financial statements for the financial year ended December 31, 2016.

10.1. Selected accounting principles

The accounting principles adopted by the Group are described in detail in its consolidated financial statements for the financial year ended December 31, 2016, published on March 21, 2017.

Conversion of items in foreign currency

The Polish zloty is the measurement currency of the Parent Company and the majority of the companies within the Group, as well as the reporting currency in these condensed consolidated financial statements for the first half-year of 2017.

Measurement currencies of the Group's companies that operate abroad are as follows:

- the euro (EUR) for the companies with their registered offices in Lithuania;
- the Swiss crown (SEK) for AB Kauno Tiltai Sverige and AB Kauno Tiltai Branch in Sweden with their registered offices in Sweden;
- the Belarusian rouble (BYR) for a branch of AB Kauno Tiltai in Belarus;
- the Bulgarian lev (BYN) for the establishment of Trakcja PRKiL in Bulgaria;
- the Ukrainian hryvnia (UAH) for Trakcja Ukraina Sp. z o.o. and Trakcja PRKiL Branch in Ukraine.

Transactions expressed in foreign currencies are converted by companies within the Group into their functional currencies according to the exchange rate applicable as at the date of the transaction concerned.

As at the balance sheet date, any cash assets and liabilities expressed in foreign currencies are converted into Polish zloty using the relevant average exchange rate applicable at the end of the reporting period for a given currency, announced by the National Bank of Poland. Foreign exchange gains and losses arising from such conversion are recognised respectively in the financial revenues and expenses.

Non-cash assets and liabilities recognised at cost expressed in foreign currency are disclosed at cost as at the date of the transaction concerned. Non-cash assets and liabilities recognised at fair value expressed in foreign currency are converted into Polish zlotys at the exchange rate as at the measurement at fair value.

The following exchange rates were adopted for the purposes of the balance sheet measurements:

Exchange rate on the reporting date	30.06.2017	31.12.2016
PLN/USD	3,7062	4,1793
PLN/EUR	4,2265	4,4240
PLN/SEK	0,4379	0,4619
PLN/BYR	1,9348	2,1589
PLN/BGN	2,1610	2,2619

The average exchange rate, calculated as the arithmetic average of the rates prevailing on the last day of each month during the period:

	30.06.2017
PLN/USD	3,8964
PLN/EUR	4,2474
PLN/SEK	0,4425
PLN/BYR	2,0661
PLN/BGN	2,1717

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

- the relevant balance sheet items – according to the average exchange rate established by the National Bank of Poland as at the balance sheet date, except for the equity items which are converted into Polish currency according to a historic exchange rate published as at the acquisition of control over the foreign entity concerned;
- the relevant items of the income statement and the statement of comprehensive income – according to the exchange rate representing the arithmetical mean of the average monthly exchange rates established by the National Bank of Poland for the period covered by the financial statements;
- the relevant items of the statement of cash flows (investment and financial activities) – according to the exchange rate representing the arithmetical mean of the average monthly exchange rates established by the National Bank of Poland for the period covered by the financial statements. Foreign exchange gains or losses arising from such conversion are recognised in the statement of cash flows as other foreign exchange gains or losses arising from conversion.

Foreign exchange gains or losses arising from such conversions are recognised directly in the equity as a separate item, i.e. gains or losses arising from conversion of foreign entities.

When any foreign entity is disposed of, the accumulated foreign exchange gains or losses recognised in the equity, which relate to the foreign entity concerned, are transferred from the equity to the income statement (as an adjustment resulting from reclassification) as at the recognition of any gain or loss on the disposal thereof.

Principles of consolidation

The condensed consolidated financial statements include the condensed financial statements of Trakcja PRKiI S.A. and the condensed financial statements of its subsidiaries prepared as at June 30, 2017.

The subsidiaries are consolidated from the acquisition of control over them by the Group to the cessation of such control. If the Parent Company loses control over a subsidiary, the consolidated financial statements include the subsidiary's data for a part of the year covered by the statements, in which the Group has such control.

The financial statements of the subsidiaries are prepared for the same reporting period as those of the Parent Company. The condensed consolidated financial statements are prepared using consistent accountancy principles applied by the Group to business transactions and events of a similar nature.

All the Group's members, except for Bahn Technik Wrocław Sp. z o.o., Torprojekt Sp. z o.o., Dalba Sp. z o.o. and PDM Białystok S.A. keep their accounting books in accordance with the International Accounting Standards. Bahn Technik Wrocław Sp. z o.o., Torprojekt Sp. z o.o., Dalba Sp. z o.o. and PDM Białystok S.A. keep their accounting books in accordance with the accounting principles set forth in the Accounting Act of 29 September 1994 ("Act"), as amended, and with the regulations issued thereunder ("Polish Accounting Standards" or "PAS"). Their financial data is converted for the Group's purposes.

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

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

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

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

At the moment, the IFRS in the shape approved by the European Union do not differ significantly from the regulations issued by the International Accounting Standards Board (IASB), except for the below new standards and amendments to standards, as well as new interpretation, which as at August 30, 2017 have not yet been approved for application in the EU:

- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after January 1, 2016) – The European Commission decided not to start the approval process of this interim standard for application in the EU until its final version is issued,
- **IFRS 16 Leases** (effective for annual periods beginning on or after January 1, 2019),
- **IFRS 17 Insurance Contracts** (effective for annual periods beginning on or after January 1, 2021),
- **Amendments to IFRS 2 Share-based Payment** – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2018),
- **Amendments to IFRS 4 Insurance Contracts** – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after January 1, 2018 or when IFRS 9 Financial Instruments is first applied),
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associated Entities and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, as amended (the effective date differed until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 Revenue from Contracts with Customers** – Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018),
- **Amendments to IAS 7 Statement of Cash Flows** – Disclosure Initiative (effective for annual periods beginning on or after January 1, 2017),

- **Amendments to IAS 12 Income Taxes** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after January 1, 2017),
- **Amendments to IAS 40 Investment Property** – Transfers of Investment Property (effective for annual periods beginning on or after January 1, 2018),
- **Amendments to various standards – Annual Improvements to IFRS Standards 2014–2016 Cycle** – Amendments made under the procedure for making annual improvements to IFRS (IFRS 1, IFRS 12 and IAS 28) which aimed primarily at eliminating any inconsistencies and clarifying the terminology thereof (amendments to IFRS 12 effective for annual periods beginning on or after January 1, 2017, and amendments to IFRS 1 and IAS 28 effective for annual periods beginning on or after January 1, 2018),
- **Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration** (effective for annual periods beginning on or after January 1, 2018),
- **Interpretation IFRIC 23 Uncertainty over Income Tax Treatments** (effective for annual periods beginning on or after January 1, 2019).

According to the Group's estimates, the aforementioned new standards, amendments to the existing standards and interpretation would have no significant impact on the financial statements, if they were applied by the Group as at the balance sheet date.

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

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

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

The following new standards have already been issued by the IASB and approved for application in the EU, but have not yet become effective as at the approval of these financial statements:

- IFRS 9 Financial Instruments – approved for application in the EU on November 22, 2016 (effective for annual periods beginning on or after January 1, 2018),
- IFRS 15 Revenue from Contracts with Customers and Amendments to IFRS 15 Revenue from Contracts with Customers – approved for application in the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2018).

The Group is in the process of analysing the effect of implementing IFRS 9 and IFRS 15 on the financial statements for periods following the entry into force thereof.

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

The new accounting standards did not have any significant impact on the interim financial statements for the first half-year of 2017. In the reporting period, the Group did not make any significant amendments to the accounting policy either.

Changes to the existing standards applied for the first time to the Group's financial statements for 2017

As at the approval of these financial statements, there were no amendments made to the existing standards which had been issued by the IASB and approved for application in the EU and which would be applied for the first time to the Group's financial statements for 2017.

Changes introduced by the Group independently

In the period covered by the condensed financial statements for the first half-year of 2017, no changes were made to the principles of accounting and preparing financial statements in comparison to those disclosed in the Group's financial statements for 2016 published on March 21, 2017.

11. Brief description of significant accomplishments or failures in the first half-year of 2017

The Group's significant accomplishments in the 6-month period ended June 30, 2017 include the following:

- Gross profit on sales for the 6-month period of 2017, which was PLN 29,649 thousand.

- Securing the availability of funding: as at June 30, 2017 the Trakcja Group's companies had at their disposal the total of overdrafts and revolving loans of up to PLN 176 million.
- Securing the availability of guarantee limits: as at June 30, 2017 the Trakcja Group's companies had at their disposal guarantee limits in the amount of up to PLN 873 million.
- Further diversification of activities abroad – the establishment of the new branch of Trakcja PRKiI S.A. and independent subsidiaries in Ukraine
- Further development of IT equipment which supports the processes in the Parent Company.

12. Type and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

In the opinion of the Management Board, in the 6-month period ended June 30, 2017, except for the factors described in other notes hereto, no other significant events occurred, which could have had an impact on the assessment of the Trakcja Group's financial condition. The Group's performance in the first half-year of 2017 was primarily affected by the contracts completed by the Group.

13. Information on operating and geographical segments

Segments are described in the consolidated annual financial statements of Trakcja Group for 2016.

Key customers:

In the first half-year of 2017, revenues from transactions with external single customers were respectively 10% or more of the Group's total revenues. Total revenues by type of customers and by segments to which such revenues pertain are presented in the table below.

Total revenue obtained in the 1st half of 2017 by a single recipient (TPLN)	Segments presenting the revenues
270 796	Civic building segment - Poland

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

For the period from 1.01.2017 to 30.06.2017*Unaudited*

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civic building segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total			
Revenues							
Sales to external customers	343 866	188 806	4 976	537 648	-	-	537 648
Sales between segments	3	-	2	5	-	(5)	-
Total segment revenues	343 869	188 806	4 978	537 653	-	(5)	537 648
Results							
Depreciation	9 400	4 934	12	14 346	-	-	14 346
Financial income - interests	155	1 826	11	1 992	-	(28)	1 964
Financial expenses - interests	2 203	1 469	31	3 703	-	(28)	3 675
Gross profit	21 034	526	12	21 572	-	(19 143)	2 429

For the period from 1.01.2016 to 30.06.2016*Unaudited*

	Continued operations				Discontinued operations	Exclusions	Total operations
	Civic building segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments	Total			
Sales to external customers							
Sales between segments	278 176	200 227	426	478 829	-	-	478 829
Total segment revenues	3	-	-	3	-	(3)	-
Total segment revenues	278 180	200 227	426	478 833	-	(3)	478 829
Results							
Depreciation	6 941	4 437	43	11 421	-	-	11 421
Share of profit (losses) of joint venture	(684)	-	-	(684)	-	-	(684)
Financial revenues - interests	328	1 869	21	2 218	-	-	2 218
Financial expenses - interests	1 185	1 502	6	2 693	-	-	2 693
Gross profit	22 992	23 092	(346)	45 738	-	(23 220)	22 518

Operating segments

As at 30.06.2017

Unaudited

	Continued operations			Total	Discontinued operations	Exclusions	Total operations
	Civic building segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments				
Segment assets	866 748	704 957	39 769	1 611 474	-	(200 496)	1 410 978
Assets not allocated to segments							9 576
Total assests							1 420 554
Segment liabilities*	395 538	218 550	2 824	616 912	-	(68 773)	548 139
Other disclosures:							
Capital expenditure	(12 519)	(10 478)	-	(22 997)	-	-	(22 997)
Impairment of non-financial assets	(75)	-	-	(75)	-	-	(75)

*to assess segment short-term liabilities were allocated

As at 31.12.2016

Audited

	Continued operations			Total	Discontinued operations	Exclusions	Total operations
	Civic building segment - Poland	Construction, Engineering and Concession Agreements Segment - Baltic countries	Other segments				
Segment assets	806 362	702 631	44 275	1 553 269	-	(167 243)	1 386 026
Assets not allocated to segments							10 707
Total assests							1 396 733
Segment liabilities	322 596	185 287	7 305	515 188	-	(47 972)	467 216
Other disclosures:							
Capital expenditure	(34 333)	(14 174)	-	(48 508)	-	-	(48 508)
Impairment of non-financial assets	(12 961)	-	-	(12 961)	-	-	(12 961)

*to assess segment short-term liabilities were allocated

Geographical segments

The key data concerning geographical segments has been presented below.

For the period from 1.01.2017 to 30.06.2017

Unaudited

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Revenues						
Sales to external customers	348 841	188 807	537 648	-	-	537 648
Sales between segments	-	-	-	-	-	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	348 841	188 807	537 648	-	-	537 648

For the period from 1.01.2016 to 30.06.2016

Unaudited

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Sales between segments						
Sales domestic/ abroad	278 603	200 227	478 829	-	-	478 829
Total segment revenues	3	-	3	-	(3)	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	278 605	200 227	478 833	-	(3)	478 829

As at 30.06.2017

Unaudited

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Operating assets	906 542	704 932	1 611 474	-	(200 496)	1 410 978
Operating liabilities*	415 345	201 567	616 912	-	(68 773)	548 139

As at 31.12.2016

Audited

	Continued operations			Discontinued operations	Exclusions	Total operations
	Domestic	Abroad	Total			
Operating assets	850 694	702 575	1 553 270	-	(167 243)	1 386 026
Operating liabilities*	347 593	167 595	515 188	-	(47 972)	467 216

14. Sales revenues

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Sales revenues		
Revenues from sale of construction services	501 199	470 794
Revenues from sale of goods and materials	23 781	1 408
Revenues from sale of other products and services	12 668	6 627
Total	537 648	478 829

An increase in the revenues from sale of goods and materials was a result of an increase in the revenues from sale of asphalt, gravel and cement by the Lithuanian companies. An increase in the revenues from sale of other products and services was caused by an increase in the revenues from sale of apartments by developing business entity PRK 7 Nieruchomości Sp. z o.o. (by PLN 4,548 thousand).

15. Other operating revenues

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Reversal of provision including:	1 936	705
- reversal of provision for restructuring	1 831	-
- other	105	705
Received penalties and fines	599	214
Redeemed liabilities	-	82
Profit on sale of non-financial non-current assets	709	2 630
Reimbursed costs from tenders in Denmark	-	571
Overpaid social security contributions	-	245
Other	325	237
Total	3 569	4 684

In the first half-year of 2017, the Parent Company reversed the provision for restructuring in the amount of PLN 1,831 thousand. The recognition thereof was described in detail in Note 1.8 to the Management Board's Report of Trakcja Capital Group for 2016 and in Current Report No. 23/2016.

16. Other operating costs

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Paid penalties, fines and compensations	-	122
Damage of tangible non-current assets	522	-
Litigation costs paid	-	4
Donations made	153	1 938
Inventory shortages of stocks	-	-
Liquidation value of non-financial assets	52	321
Receiveables write-off	37	43
Other	299	185
Total	1 063	2 613

17. Financial revenues

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Financial revenue from interest, including:	1 964	2 218
- bank interest	87	367
- interest on receivables	78	5
- interests on released provisions for Interests on liabilities	3	-
- discount	1 741	1 820
- other	55	26
Financial revenue due to reversal of provision for financial liability	-	52
Other financial revenue	-	7
Total	1 965	2 277

In the first half-year of 2017, the Group recognised financial revenues from interest in the amount of PLN 1,741 thousand (as compared to PLN 1,820 thousand in the first half-year of 2016) on financial assets under the service concession arrangement.

18. Financial costs

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Financial cost from interest, including:	3 675	2 693
- interest on loans and borrowings	1 736	1 578
- on liabilities	628	40
- on leasing	922	777
- other	390	298
Loss from exchange rate differences	237	1 049
Financial commission paid	892	783
Factoring related costs	182	101
Commission fee expenses relating to advance payment guarantee	516	281
Other financial cost	151	36
Total	5 655	4 943

19. Income tax

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Current income tax:	193	4 192
- current income tax charge	180	4 122
- adjustments related to current income tax from previous years	13	70
Deferred tax:	1 147	(337)
- related to increase and decrease in temporary differences	1 147	(337)
Total	1 340	3 855

Income tax was partially determined according to the rate of 19% applicable to legal entities that operate in Poland. The income tax rates applicable to foreign companies being members of Trakcja Group are as follows: 15% in Lithuania and Latvia, 22% in Sweden, 18% in Belarus, 10% in Bulgaria and 18% in Ukraine.

Income tax recognised in other comprehensive income

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Actuarial gains/(losses)		
Gross amount	(23)	682
Tax	7	(137)
Net amount	(16)	545
Cash flow hedging instruments		
Gross amount	1 009	(2 229)
Tax	(151)	334
Net amount	858	(1 895)
Foreign exchange differences on translation of foreign operations		
Gross amount	(14 959)	11 536
Tax	-	-
Net amount	(14 959)	11 536

20. Tangible non-current assets

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Fixed assets, including:	240 363	231 361
- land (including right of perpetual usufruct)	22 657	22 773
- buildings, premises, civil and water engineering structures	17 844	17 521
- technical equipment and machines	119 450	110 082
- vehicles	67 676	68 158
- other fixed assets	12 736	12 827
Fixed assets under construction	26 627	16 128
Total	266 990	247 489

21. Transactions of acquisition and sale of tangible non-current assets and other intangible assets, including any commitments for acquisition of tangible non-current assets

From January 1, 2017 to June 30, 2017 the Group purchased tangible non-current assets and intangible assets in the amount of PLN 37,646 thousand (as compared to PLN 15,550 thousand in the comparable period of 2016).

From January 1, 2017 to June 30, 2017 the Group sold tangible non-current assets and intangible assets in a total book value of PLN 546 thousand (as compared to PLN 1,311 thousand in the comparable period of 2016).

As at 30 June 2017 the Group had a substantial liability in the amount of PLN 6,974 thousand arising from a loan granted by the manufacturer of the machine purchased in the reporting period. The loan has been granted for the purchase of tangible non-current assets and is to be repaid by March 24, 2020.

22. Goodwill

As at June 30, 2017 the goodwill disclosed in the consolidated financial statements by the Group was PLN 378,894 thousand (as at December 31, 2016: PLN 386,587 thousand) was recognised in the following items:

- Goodwill on consolidation – PLN 330,162 thousand (as at December 31, 2016: PLN 337,855 thousand),
- Intangible assets – PLN 48,732 thousand (as at December 31, 2016: PLN 48,732 thousand).

Goodwill on consolidation

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Goodwill at cost	391 694	399 387
Accumulated impairment	(61 532)	(61 532)
Goodwill after write-offs	330 162	337 855

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Balance at the beginning of the period	337 855	334 718
Increase	-	8 606
Taking control over companies	-	8 606
Decrease	-	(11 799)
Impairment charged to P&L during the year	-	(11 799)
Exchange rate differences	(7 693)	6 330
Balance at the end of the period	330 162	337 855

Allocation of goodwill to cash generating units ("CGU") after recognition of impairment losses

Goodwill was allocated to the following cash generating units:

	CGU: Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Grupy AB Kauno Tiltai	CGU: PRK7 Nieruchomości	Total
As at 30.06.2017					
Goodwill allocated after recognition of impairment	58 160	37 741	278 213	4 780	378 894
recognized in goodwill on consolidation	9 428	37 741	278 213	4 780	330 162
recognized in intangible assets	48 732	-	-	-	48 732

	CGU: Trakcja PRKił S.A., Torprojekt Sp. z o.o., BTW Sp. z o.o.	CGU: PEUiM Sp. z o.o., Dalba Sp. z o.o., PDM S.A.	CGU: Spółki z Grupy AB Kauno Tiltai	CGU: PRK7 Nieruchomości	Total
As at 31.12.2016					
Goodwill allocated after recognition of impairment	58 160	37 741	285 906	4 780	386 587
recognized in goodwill on consolidation	9 428	37 741	285 906	4 780	337 855
recognized in intangible assets	48 732	-	-	-	48 732

Test for impairment of goodwill

As at June 30, 2017 the Group did not perform any tests for impairment, as no circumstances occurred which would indicate that cash generating units might have been impaired.

23. Investment properties

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
As at start of period (by type groups) - net value:	21 226	21 976
- land	18 729	18 920
- buildings, premises, civil and water engineering structures	2 497	3 056
Increases:	-	412
- land	-	412
- purchase	-	399
- variations due to currency translation	-	13
Decreases	-	(1 162)
- land	(265)	(603)
- revaluation	-	(603)
- sale	(253)	-
- variations due to currency translation	(12)	-
- buildings, premises, civil and water engineering structures	-	(559)
- revaluation	-	(559)
As at end of period (by type groups) - net value:	20 961	21 226
- land	18 464	18 729
- buildings, premises, civil and water engineering structures	2 497	2 497

Investment properties are measured by the Group at fair value. The Group estimates their values as at December 31 on the basis of valuations carried out as at such a date by independent experts. Throughout the year, as at the consecutive balance sheet dates, i.e. March 31, June 30 and September 30, the Group assesses whether there are any indications that the fair value may need to be changed.

The most recent valuation of investment properties by an independent expert was carried out as at December 31, 2016. As at June 30, 2017 the Group stated that there were no indications that the values of investment properties changed significantly. The valuation method applied and the unobservable input data used for valuation, as well as the descriptive presentation of the fair value sensitivity to changes in the unobservable input data are described in detail in Note 23 to the Consolidated Annual Financial Statements of Trakcja Group for 2016. In the first half-year of 2017, the measurement method remained unchanged.

The Group categorises investment properties within Level 3 of the fair value hierarchy. In the first half-year of 2017, there were no transfers made between Levels 1, 2 and 3.

24. Other financial assets

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Financial assets held to maturity	11 415	9 896
Bank guarantee deposits	11 415	9 896
Loanes granted and own receivables	42 907	45 266
Financial assets related to the concession agreement	42 695	45 266
Loanes granted	212	-
Total	54 322	55 162
including:		
- recognised as non-current assets	46 045	46 502
- recognised as current assets	8 277	8 660

In the first half-year of 2017, there were no impairment losses recognised on the individual financial assets.

The financial assets related to concession agreement are described in detail in Note 9.24, Note 26 and Note 52 of the Notes to the consolidated annual financial statements for 2016. The Group accounts for the aforementioned financial asset related to concession agreement in accordance with IFRIC 12.

25. Inventory

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Materials	65 914	39 386
Semi-finished goods and products in progress	7 151	4 426
Finished goods	19 811	22 722
Merchandise	10 015	10 015
Total, gross inventory	102 891	76 549
Inventory revaluation write-offs	(641)	(688)
Materials	65 322	38 746
Semi-finished goods and products in progress	7 151	4 426
Finished goods	19 784	22 695
Merchandise	9 993	9 994
Total, net inventory	102 250	75 861

26. Trade and other receivables

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Gross trade receivables, before discounting	381 247	378 589
Discounting of receivables	-	-
Total, gross trade receivables	381 247	378 589
including:		
- receivables from related entities	6 215	5 798
Budgetary receivables	5 846	3 610
Receivables claimed in court	2 503	3 354
Other receivables from third parties	15 798	15 308
Amounts held	24 729	20 922
- amounts held from related entities	2 376	-
Advances paid	2 385	3 806
Total, gross trade and other receivables	432 508	425 589
Receivables revaluation write-offs	(50 552)	(26 003)
Total	381 956	399 586

27. Cash and cash equivalents

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Cash in hand	184	167
Cash at bank	22 811	127 581
Other cash and cash equivalents - deposits	45 157	21 050
Cash in transit	179	-
Total	68 331	148 799

Cash excluded from the statement of cash flows as at June 30, 2017 in the amount of PLN 12 thousand pertains to cash blocked on the property development project accounts (PLN 2,439 thousand as at December 31, 2016).

28. Construction contracts

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Surplus of invoiced revenues over revenues resulting from degree of advancement	15 228	25 312
Surplus of revenues resulting from degree of advancement over invoiced revenues	94 988	32 508
Advances paid towards contracts being performed	12 229	3 575
Advances received towards contracts being performed	85 564	6 364
Provision for anticipated losses on contracts	43 187	48 756

Recognised in balance sheet:

in non-current assets

Construction contracts and advances paid towards contracts being performed	296	-
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in current assets

Construction contracts and advances paid towards contracts being performed	106 921	36 083
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in short-term liabilities

Construction contracts and advances received towards contracts being performed	143 979	80 432
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The advances received towards contracts being performed increased due to the award of new contracts to the Parent Company. The advances received are recognised as short-term liabilities, because they will be cleared during the performance of contracts.

29. Share capital

Share capital:

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Series A ordinary shares	51 399 548	51 399 548
Total	51 399 548	51 399 548

The Parent Company's share capital is PLN 41,119,638.40 and is divided into 51,399,548 shares with a par value of PLN 0.8 each, which give entitlement to the same number of votes at the Company's general meeting. All shares are fully paid-up.

30. Non-controlling interests

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
As at start of period	4 830	3 950
Increases, including:	305	1 515
- total comprehensive income for the period	305	1 515
Decreases, including:	(559)	(635)
- purchase of own shares by a subsidiary	(556)	(580)
- other	(3)	(55)
As at end of period	4 576	4 830

Having analysed the amounts of equity attributable to the non-controlling interests, the Management Board of the Parent Company decided that they are insignificant, and therefore these financial statements contain no information about the non-controlling interests in accordance with IFRS 12.

31. Interest-bearing loans and borrowings

Loans incurred by the Parent Company and its subsidiaries have been set out in the table below:

Company name	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	mLeasing	investment loan	22 400	PLN	16.09.2019	WIBOR 1M + margin	11 032
Trakcja PRKiI S.A.	mBank S.A.	investment loan	21 500	PLN	30.09.2021	WIBOR 1M + margin	21 500
Trakcja PRKiI S.A.	mBank S.A.	overdraft	20 000	PLN	26.04.2018	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	mBank S.A.	working capital	50 000	PLN	27.09.2019	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	Pekao S.A.	overdraft	20 000	PLN	31.05.2018	WIBOR 1M + margin	-
Bahn Technik Wrocław Sp. z o.o.	ING Bank Śląski S.A.	overdraft	2 500	PLN	30.11.2017	WIBOR 1M + margin	-
Bahn Technik Wrocław Sp. z o.o.	Bank Zachodni WBK S.A.	overdraft	2 500	PLN	18.08.2017	WIBOR 1M + margin	-
Bahn Technik Wrocław Sp. z o.o.	ING Bank Śląski S.A.	investment loan	1 747	PLN	30.11.2018	WIBOR 1M + margin	795
Bahn Technik Wrocław Sp. z o.o.	Plasser & Theurer, Export von Bahnbaumaschinen, Gesellschaft m.b.H.	investment loan	1 800	EUR	24.03.2020	fixed interest rate	6 974
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	investment loan	2 500	PLN	30.12.2020	WIBOR 1M + margin	2 442
AB Kauno Tiltai	Nordea Dnb	working capital	14 000	EUR	31.08.2018	EURIBOR 3M + margin	-
AB Kauno Tiltai	Nordea	working capital	3 000	EUR	31.08.2018	EURIBOR 1M + margin	1 272
AB Kauno Tiltai	Dnb	working capital	3 000	EUR	31.08.2018	EURIBOR 3M + margin	1 396
AB Kauno Tiltai	Nordea Dnb	working capital	1 400	EUR	14.01.2020	EURIBOR 3M + margin	4 869
UAB Palangos aplinkkelis	SEB Bank	project purpose loans	8 500	EUR	31.05.2028	EURIBOR 3M + margin	33 582
UAB Pletros investicijos	Šiaulių plentas UAB	other unit loan	363	EUR	31.12.2028	fixed interest rate	1 156
Total							85 018

The interest rate of the loans received is the WIBOR/EURIBOR rate plus a bank margin. Bank margins differ from bank to bank and according to date of loan repayment.

Long-term interest-bearing loans and borrowings:

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Bank loans	57 124	56 395
- investment loans	18 553	17 478
- working capital loans	6 019	4 299
- project purpose loans	32 552	34 618
Loans from other entities	11 996	9 954
investment loans	10 877	9 954
loans from third parties	1 119	-
Financial lease liabilities	29 940	34 317
Total	99 060	100 666

Short-term interest-bearing loans and borrowings:

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Bank loans	8 731	7 830
- investment loans	6 184	5 122
- working capital loans	1 517	1 659
- project purpose loans	1 030	1 049
Loans from other entities	7 167	4 533
investment loans	7 129	4 533
loans from third parties	38	-
Financial lease liabilities	9 430	9 640
Total	25 328	22 003
Total short and long term loans and borrowings	124 388	122 669

The Group is a party to the recourse factoring agreement. The limit is PLN 50,000 thousand. The interest is calculated at the variable WIBOR O/N rate plus a factor's fixed margin. As at June 30, 2017 and December 31, 2016 the Group had no liabilities arising from factoring.

As at the preparation hereof, PEUiM Sp. z o.o. failed to meet one of the four financial covenants set forth in the investment loan agreement. The liabilities arising from the loan as at June 30, 2017 were PLN 2,442 thousand. As at the preparation hereof, the Management Board did not receive any information about any changes in the repayment date or terms of the loan concerned.

32. Failure to repay borrowings or violation of their terms, with regard to which no corrective measures have been taken

In the current period, the Group followed and complied with the loan repayment schedules. No events of failure to repay borrowings or of violation of their terms occurred, which could have resulted in the repayment dates being brought forward.

33. Financial derivatives

Cash flow hedging instruments and application of hedge accounting

The Polish companies of Trakcja Group do not apply any hedge accounting, but the Lithuanian part of Trakcja Group, namely AB Kauno Tiltai - AB Kauno Tiltai and UAB Palangos aplinkkelis follow the principles thereof.

On June 5, 2013 one of the Issuer's subsidiaries, i.e. UAB Palangos aplinkkelis made an interest rate swap (IRS) transaction in order to hedge future cash flows expected to arise from interest to be paid on the term loan. Pursuant

to the agreement, the company is a payee of amounts at a fixed rate, whereas the bank is a payee of amounts at a variable rate. The hedging relationship is set to expire on May 31, 2028.

On October 8, 2015 and October 14, 2015 one of the Issuer's subsidiaries, i.e. AB Kauno Tiltai made two interest rate swap (IRS) transactions in order to hedge future cash flows expected to arise from interest to be paid on the term loan. Pursuant to the agreement, the company is a payee of amounts at a fixed rate, whereas the bank is a payee of amounts at a variable rate. The hedging relationships are set to expire on January 14, 2020.

Fair value of the IRS contracts is calculated as the present value of future cash flows estimated using the yield curves. In the first half-year of 2017, the measurement method remained unchanged.

As at June 30, 2017 the loss from remeasuring the aforementioned hedging instruments was PLN 1,310 thousand, whereas the gain recognised in other comprehensive income was PLN 855 thousand.

In the first half-year of 2017, the Group assessed the hedge effectiveness of the IRS transactions. In the reporting period, the hedge of the interest rate fluctuations was highly effective, and therefore no ineffective part thereof was identified or recognised in profit or loss.

Other derivatives

In the reporting period, the Group did not enter into either any new interest rate swap (IRS) contracts or any derivative contracts for speculation purposes. Except for the aforementioned IRS instruments, the Group did not apply any hedge accounting in the period subject hereto, and therefore the Group is not a party to any other derivative contracts in the scope covered hereby and no financial derivatives measured at fair value were recognised in profit or loss.

The Group categorises financial derivatives within Level 2 of the fair value hierarchy. In the first half-year of 2017, there were no transfers made between Levels 1, 2 and 3. The categorisation within Levels 1, 2 and 3 has been described in detail in Note 38.

34. Provisions

As at 1.01.2017	63 003
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Audited

Recognized	4 388
Variations due to currency translation	(845)
Used	(12 743)
Reversed	(14 627)

As at 30.06.2017	39 176
-------------------------	---------------

Unaudited

including	
- long-term	17 826
- short-term	21 350

In the first half-year of 2017, the Group reversed the provisions for additional works in the amount of PLN 8,044 thousand and also used them in the amount of PLN 3,361 thousand.

The provisions for employee benefits, which are disclosed in the employee benefit liabilities, were reversed due to the amendment to the remuneration regulations, which had a positive effect on the Group's profit in the amount of PLN 3,796 thousand.

35. Reversal of provisions for restructuring costs

In the first half-year of 2017, the Parent Company reversed the provision for restructuring in the amount of PLN 1,831 thousand. The recognition thereof was described in detail in Note 1.8 to the Management Board's Report on the Activities of Trakcja Capital Group for 2016 and in Current Report No. 23/2016.

36. Trade and other liabilities

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Trade liabilities, before discounting	252 548	259 880
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	252 548	259 880
including:		
- liabilities to related entities	730	831
Amounts held	18 832	25 320
Budgetary liabilities	36 970	18 071
Payroll liabilities	6 827	5 525
Other liabilities towards third parties	683	1 182
Dividends and other distributions	25 847	10
Total trade and other liabilities	341 707	309 988

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Trade liabilities and amounts held before discounting		
With maturity within 12 months	268 884	280 559
With maturity over 12 months	2 496	4 641
Discounting of liabilities	-	-
Total, Trade liabilities and amounts held after discounting	271 380	285 200

37. Fair value of financial instruments

In the first half-year of 2017, the Group did not change the measurement method for any categories of financial instruments measured at fair value as compared to the consolidated annual financial statements. The carrying amounts of financial assets and liabilities are close to their fair values.

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

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

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

In the first half-year of 2017, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

38. Assets and liabilities measured at fair value

The Group measures at fair value such categories of assets and liabilities as investment properties and financial derivatives. In the first half-year of 2017, the measurement method applied to the aforementioned assets and liabilities remained unchanged. The measurement method applied and the unobservable inputs used for measurement are described in detail in the Group's consolidated annual financial statements for 2016.

Balance sheet elements accounted in fair value	Level 1		Level 2		Level 3	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Derivatives (liability)	-	-	5 666	6 976	-	-
Investment properties	-	-	-	-	20 961	21 226
Office properties	-	-	-	-	15 213	15 213
Land properties	-	-	-	-	1 920	2 185
Deposits of natural aggregates	-	-	-	-	3 828	3 828

Level 1 – quoted market prices for similar assets or liabilities in active markets;

Level 2 – prices in active markets other than quoted market prices, set directly (by comparison with actual transactions) or indirectly (by application of measurement methods based on actual transaction);

Level 3 – prices other than prices in active markets.

In the first half-year of 2017, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

39. Changes in business or economic conditions affecting fair value of the Group's financial assets or liabilities either recognised at fair value or at amortised cost

In the first half-year of 2017, there were no changes in any business or economic conditions which would have a significant effect on fair value of financial assets or liabilities.

40. Change in impairment losses and write-downs

	Tangible assets	Intangible assets	Goodwill	Inventory	Receivables	Total
As at 1.01.2017	792	-	61 532	688	26 003	89 015
<i>Audited</i>						
Recognized	-	-	-	75	26 700	26 775
Variances due to currency translation	-	-	-	(20)	(64)	(84)
Used	-	-	-	-	(860)	(860)
Reversed	-	-	-	(102)	(1 227)	(1 329)
As at 30.06.2017	792	-	61 532	641	50 552	113 517
<i>Unaudited</i>						

The impairment loss on receivables recognised in the first half-year of 2017 includes an impairment loss on receivables from contractual penalties to be paid by subcontractors, in the amount of PLN 25,007 thousand.

41. Joint ventures

Jointly controlled entities

On November 10, 2016 Trakcja PRKił S.A. (purchaser) and Leonard Weiss International GmbH (seller), a then shareholder in Bahn Technik Wrocław Sp. z o.o., entered into a conditional share purchase agreement. The agreement covered the acquisition of 50% of shares (i.e. 4,000 shares) in BTW with a par value of PLN 500 each share for the total price of PLN 21,500 thousand for all the shares purchased. The acquisition of shares was financed with a 5-year investment loan of PLN 21,500 thousand. On December 21, 2016 the Issuer obtained the consent of the President of UOKiK [Competition and Consumer Protection Office], and on December 30, 2016 the ownership right was transferred to Trakcja PRKił S.A.

Trakcja PRKił had so far held 50% of shares in BTW. Under the agreement concluded, the Issuer has become the sole shareholder in BTW. Until December 30, 2016 BTW was classified as a joint venture, pursuant to IFRS 11 it was consolidated under the equity method. It is recognised that the Company gained full control over BTW on December 30, 2016. In the first half-year of 2017, BTW was fully consolidated.

The condensed financial data of BTW for the first half-year of 2016, when the company was recognised as a joint venture, are presented below.

	1.01.2016 - 30.06.2016
	<i>Unaudited</i>
Sales revenues	10 290
Cost of goods sold	11 838
including: Depreciation	1 570
Financial income	112
including: Interest income	4
Financial costs	294
including: Interest cost	28
Income tax	(296)
Net result from continued operations	(1 368)
Net result from discontinued operations	-
Other comprehensive income	-
Total comprehensive income	(1 368)
Group's share of profit for the year from continued operations (50%)	(684)
Group's share of total comprehensive income for the period from continued operations (50%)	(684)

Jointly controlled operations – contracts performed in consortia

The Group performs certain long-term contracts under consortium agreements, as the consortium leader, without establishing separate entities. The Group recognises shares in such contracts as shares in joint operations in accordance with IFRS 11. Therefore, the Group does not recognise in profit or loss any such part of the revenues or costs related to such contracts as is attributable to the consortium members.

In the first half-year of 2017, the revenues attributable to the consortium members in relation to the contracts performed under the aforementioned consortia, which were not recognised in profit or loss of the Group, were PLN 87,304 thousand and the costs related thereto were PLN 86,179 thousand. In the comparable period, they were respectively PLN 45,287 thousand and PLN 44,720 thousand.

The Group's balance sheet as at June 30, 2017 does not include the trade receivables attributable to the consortium members in the amount of PLN 80, 866 thousand (PLN 37,342 thousand as at December 31, 2016) or the trade liabilities attributable to the consortium members in the amount of PLN 83,447 thousand (PLN 40,346 thousand as at December 31, 2016).

42. Contingent and other off-balance-sheet items

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Contingent receivables		
From related entities due to:	78 686	70 528
Received guarantees and sureties	74 800	65 693
Bills of exchange received as collateral	3 886	4 835
Total contingent receivables	78 686	70 528
Contingent liabilities		
From other entities due to:	2 903 539	2 289 406
Provided guarantees and sureties	723 172	605 412
Promissory notes	575 441	548 593
Mortgages	149 690	152 057
Assignment of receivables	1 314 095	851 469
Assignment of rights under insurance policy	57 709	48 412
Security deposits	16 373	14 280
Other liabilities	67 059	69 183
Total contingent liabilities	2 903 539	2 289 406

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

As at June 30, 2017, except for the aforementioned contingent receivables and liabilities, the Group had contingent receivables in the amount of PLN 1,556 thousand (as compared to PLN 1,503 thousand as at December 31, 2016) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Group, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues. The contingent liabilities arising from employment contracts with employees were PLN 8,421 thousand as at June 30, 2017 (PLN 8,265 thousand as at December 31, 2016).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland and Lithuania results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Group may be increased by additional tax liabilities. In the Group's opinion, the provisions recognised as at June 30, 2017 are sufficient to mitigate the recognised and measurable tax risk.

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

43. Events subsequent to the end of the reporting period, which are not reflected in the financial statements for the first half-year of 2017

On July 19, 2017 the Parent Company paid dividends in the amount of PLN 25,700 thousand, i.e. PLN 0.50 per share, pursuant to a resolution adopted by the Annual General Meeting on June 27, 2017.

On August 16, 2017 the Parent Company and PKP PLK S.A. concluded the agreement for design and completion of construction works on the railway line E20 Siedlce – Terespol as part of the project "Works on the railway line E20, at the section Siedlce – Terespol, PHASE III – LCS Terespol". The agreement's net value is PLN 417.5 million. Works are

to be completed within 36 months of their commencement. The aforementioned information was published in Current Report No. 15/2017 dated August 16, 2017.

44. Cyclical and seasonality of operations

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

45. Reclassification of financial assets due to changes in their purpose or use

In the first half-year of 2017, the Group did not reclassify any financial assets due to changes in their purpose or use.

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

In the first half-year of 2017, the Group did not issue, redeem or repay any debt or equity securities.

47. Information on dividends paid or declared

In the first half-year of 2017, Trakcja PRKiL S.A. did not pay any dividends.

On June 27, 2017 the Company's Annual General Meeting adopted a resolution, according to which the Company's profit for 2016 in the amount of PLN 28,698,634.86 would be allocated as follows:

- the amount of PLN 25,699,774.00 (i.e. PLN 0.50 per share) to pay dividends,
- the amount of PLN 2,998,860.86 to increase the supplementary capital.

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

The Annual General Meeting decided that the dividend date would be July 5, 2017 and that dividends would be paid on July 19, 2017.

48. Significant court cases and disputes

The Parent Company notifies that the total value of the proceedings concerning the Company's claims is PLN 61,547,185.80 and that the total value of proceedings concerning the Company's liabilities is PLN 3,596,471.53.

In the first half-year of 2017, the Company was a party to the proceedings whose value separately constituted an equivalent of at least 10% of the equity of Trakcja PRKiL S.A.:

The case concerning summons to a conciliatory settlement regarding reimbursement of fixed costs incurred in two extension periods for the performance of the contract, filed against PKP PLK S.A. by the Consortium that comprises Trakcja PRKiL S.A. and Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie sp. z o. o.

On December 2, 2016 the Parent Company and Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. applied for summons to a conciliatory settlement against PKP PLK S.A. for payment of PLN 65,848,167.00 due to the extension of the completion date of the contract named: "Design and completion of construction works on the railway line Kraków - Medyka - State border, at the section Podłęże - Bochnia, km 16,000 - 39,000 as part of the Project "Modernisation of the railway line E 30/C-E30, section Kraków - Rzeszów, phase III". The Company's claims are estimated to be approx. PLN 25 million. No settlement was reached. The Company will file a lawsuit and seek payment of its amounts due.

Other proceedings concerning claims:

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

The Parent Company 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 PRKiL S.A. in Warsaw. In connection with the

announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (hereinafter referred to as the "PNI") with an option of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław provided a submission of claims dated November 20, 2012 to the bankruptcy court. The submission covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the declaration of bankruptcy, as well as the accrued contractual penalties.

To the Parent Company's best knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja PRKiL S.A. were recognised in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 for unpaid invoices and PLN 294,632.29 for interest on delay in payment. The Company's receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were dismissed. The Parent Company did not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the Company filed a complaint which was overruled. On June 8, 2015 the Company received a notice from the trustee in bankruptcy on the change in the bankruptcy procedure from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

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

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

The most significant proceedings concerning liabilities:

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

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

Other proceedings:

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

PRK 7 Nieruchomości Sp. z o.o.

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

AB Kauno Tiltai

The investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which a subsidiary, AB Kauno Tiltai, is a member, for a total amount of PLN 63,353,359.83 (EUR 14,989,556.33). The investor brought a claim against AB Kauno Tiltai concerning the contractual penalty for delay in the performance of works. The share of Trakcja Group in liabilities (if any) that may arise from these proceedings is 65%. With regard to the proceedings, an expertise has been carried out until now. As a result of the analysis of risks related to the pending court proceedings, the Group established a provision regarding the proceedings in 2015. As at June 30, 2017 the Group decided to keep the provision unchanged in the amount set since December 31, 2016. The Group refrained from making any other disclosures related to this court case by invoking clause 92 of IAS 37.

49. Transactions with related entities

Intragroup transactions are made at arm's length. These transactions are excluded from the condensed consolidated financial statements.

The total amounts of transactions made between the related entities in the period covered by the condensed consolidated financial statements and in the comparable period are presented below.

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial revenue from FX differences and other	Financial costs from FX differences and other
Shareholder of parent company							
COMSA S.A.	1.01.2017 - 30.06.2017	35 055	732	-	-	-	-
	1.01.2016 - 30.06.2016	-	973	-	-	-	-
Joint ventures:							
BTW Sp. z o.o.	1.01.2016 - 30.06.2016	548	3 443	-	-	-	-
Total	1.01.2017 - 30.06.2017	35 055	732	-	-	-	-
	1.01.2016 - 30.06.2016	548	4 416	-	-	-	-

Please also find below information on receivables from and liabilities towards the related entities as at balance sheet date and as at the end of the comparable period.

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders of parent company:					
COMSA S.A.	30.06.2017	8 591	730	-	-
	31.12.2016	5 798	831	-	-
Total	30.06.2017	8 591	730	-	-
	31.12.2016	5 798	831	-	-

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

50. Remuneration of the Parent Company's Management Board and Supervisory Board members

The total value of remuneration and other benefits for the Parent Company's Management Board members in the first half-year of 2017 was PLN 2,675 thousand, including PLN 2,548 thousand recognised as costs of the Parent Company and PLN 127 thousand recognised as costs of its subsidiaries.

In the comparable period of 2016, the total value of remuneration and other benefits for the Management Board members was PLN 5,945 thousand, including PLN 4,206 thousand recognised as costs of the Parent Company and PLN 1,739 thousand recognised as costs of its subsidiaries.

The total value of remuneration and other benefits for the Parent Company's Supervisory Board members in the first half-year of 2017 was PLN 607 thousand, including PLN 480 thousand recognised as costs of the Parent Company and the remaining amount of remuneration, namely PLN 127 thousand, recognised as costs of its subsidiaries.

In the comparable period of 2016, the total value of remuneration and other benefits for the Parent Company's Supervisory Board members was PLN 405 thousand, including PLN 143 thousand recognised as costs of the Parent Company and the remaining amount of remuneration, namely PLN 262 thousand recognised as costs of its subsidiaries.

Warsaw, August 30, 2017

Management Board:

Jarosław Tomaszewski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Person responsible for preparing the report:

Sławomir Krysiński

Director of Financial Reporting in Trakcja Group



TRAKCJA PRKiI S.A.

CONDENSED FINANCIAL STATEMENTS

FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2017

PREPARED IN ACCORDANCE WITH

THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The Management Board of Trakcja PRKiI S.A. has approved the condensed financial statements of Trakcja PRKiI S.A. for the period from January 1, 2017 to June 30, 2017.

The condensed financial statements for the period from January 1, 2017 to June 30, 2017 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union.

Information included herein is presented in the following sequence:

1. Income statement for the period from January 1, 2017 to June 30, 2017, which shows a net profit of PLN **23,503** thousand.
2. Statement of comprehensive income for the period from January 1, 2017 to June 30, 2017, which shows the positive total comprehensive income of PLN **23,419** thousand.
3. Balance sheet as at June 30, 2017, which shows the total assets and total equity and liabilities of PLN **1,059,527** thousand.
4. Statement of cash flows for the period from January 1, 2017 to June 30, 2017, which shows an increase in the total net cash flows by PLN **24,961** thousand.
5. Statement of changes in equity for the period from January 1, 2017 to June 30, 2017, which shows a decrease in the equity by PLN **2,276** thousand.
6. Selected explanatory notes.

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

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

Jarosław Tomaszewski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Warsaw, August 30, 2017

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INCOME STATEMENT

	Note	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
		Unaudited	Unaudited
Continued operations			
Sales revenues	4	322 007	268 343
Cost of goods sold		(305 227)	(252 599)
Gross profit (loss) on sales		16 780	15 744
Cost of sales, marketing and distribution		(1 081)	(941)
General and administrative costs		(10 676)	(12 494)
Other operating revenues	5	2 598	1 921
Other operating costs	6	(807)	(338)
Operating profit (loss)		6 814	3 892
Financial revenues	7	21 702	25 514
Financial costs	8	(3 563)	(2 147)
Gross profit (loss)		24 953	27 259
Income tax		(1 450)	(832)
Net profit (loss) from continued operations		23 503	26 427
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit for financial year		23 503	26 427
Net profit/(loss) in PLN per one share			
– basic		0,46	0,51
– diluted		0,46	0,51

STATEMENT OF COMPREHENSIVE INCOME

	Note	1.01.2017 - 30.06.2017 <i>Unaudited</i>	1.01.2016 - 30.06.2016 <i>Unaudited</i>
Net profit (loss) for the period		23 503	26 427
Other total income for the period			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		(79)	559
Actuarial gains/(losses)		(79)	559
Inne całkowite dochody, które zostaną przeklasyfikowane na zyski lub straty:		(5)	-
Foreign exchange differences on translation of foreign operations		(5)	-
Total other comprehensive income	9	(84)	559
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		23 419	26 986

BALANCE SHEET

ASSETS	Note	30.06.2017	31.12.2016
		<i>Unaudited</i>	<i>Audited</i>
Non-current assets		668 892	657 078
Tangible non-current assets	10	141 905	134 895
Intangible assets		53 602	54 276
Investment properties	12	17 174	17 174
Investments in subsidiaries	11	436 241	436 241
Other financial assets		6 469	4 734
Deferred tax assets		6 057	7 483
Accruals		7 444	2 275
Current assets		390 635	356 980
Inventory	14	45 337	30 400
Trade and other receivables	15	238 661	281 302
Income tax receivables		133	-
Other financial assets		2 702	5 836
Cash and cash equivalents	16	43 781	18 820
Accruals		9 096	3 981
Construction contracts and advances paid towards contracts being performed	13	47 863	13 579
Assets held for sale		3 062	3 062
Total assets		1 059 527	1 014 058
Equity and liabilities			
Equity		623 035	625 311
Share capital	17	41 120	41 120
Share premium account		309 984	309 984
Revaluation reserve		5 802	5 800
Other capital reserves		242 640	239 717
Retained earnings		23 503	28 699
Foreign exchange differences on translation of foreign operations		(14)	(9)
Total equity		623 035	625 311
Long-term liabilities		59 881	80 736
Interest-bearing loans and borrowings	18	49 005	54 759
Provisions	20	7 681	17 577
Liabilities due to employee benefits		3 195	8 400
Short-term liabilities		376 611	308 011
Interest-bearing loans and borrowings	18	16 578	16 249
Trade and other liabilities	19	240 978	245 053
Provisions	20	15 949	19 722
Liabilities due to employee benefits		8 191	7 200
Tax liabilities		-	2 095
Accruals		328	258
Construction contracts and advances received towards contracts being performed	13	94 587	17 434
Total equity and liabilities		1 059 527	1 014 058

STATEMENT OF CASH FLOWS

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
<i>Cash flows from operating activities</i>		
Gross profit from continued operations	24 953	27 259
Gross profit (loss) from discontinued operations	-	-
Adjustments for:	(4 579)	(135 578)
Depreciation	6 696	5 865
FX differences	126	246
Net interest and dividends	(20 061)	(24 245)
Profit on investment activities	55	172
Change in receivables	43 431	(76 697)
Change in inventory	(14 937)	(19 567)
Change in liabilities, excluding loans and borrowings	(37 509)	(12 524)
Change in prepayments and accruals	(10 217)	1 646
Change in provisions	(13 669)	5 927
Change in construction contracts	42 869	(14 139)
Income tax paid	(2 228)	(3 362)
Other	890	1 100
Foreign exchange differences on translation of foreign operations	(25)	-
Net cash flows from operating activities	20 374	(108 319)
<i>Cash flows from investment activities</i>		
Sale (purchase) of intangible assets and tangible non-current assets	(8 125)	(5 672)
- acquisition	(8 130)	(5 715)
- sale	5	43
Sale (acquisition) of shares and stocks in affiliates and subsidiar	-	(160)
- acquisition	-	(160)
Financial assets	(2 182)	5 152
- granted or acquired	1 527	6 802
- repaid	(3 709)	(1 650)
Loans	3 000	(3 700)
- granted	3 000	-
- repaid	-	(3 700)
Dividend received	20 685	12 117
Interest received	243	-
Net cash flows from investment activities	13 621	7 737
<i>Cash flows from financial activities</i>		
Repayment of borrowings and loans	(2 224)	(2 129)
Interests and commissions paid	(2 012)	(1 241)
Inflows (outflows) due to other financial liabilities	(182)	(300)
Payment of liabilities under financial lease agreements	(4 616)	(3 802)
Net cash flows from financial activities	(9 034)	(7 472)
Total net cash flows	24 961	(108 054)
Net FX differences	-	-
Cash at start of period	18 820	136 025
Cash at end of period	43 781	27 971
- with limited access	-	959

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revaluation reserve	Other reserve capitals		FX differences on translation of foreign operations	Retained earnings	Total equity
				Actuarial gains (losses)	Results from previous years			
As at 1.01.2017 Audited	41 120	309 984	5 800	470	239 247	(9)	28 699	625 311
Corrections of errors	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-
As at 1.01.2017 after adjustments	41 120	309 984	5 800	470	239 247	(9)	28 699	625 311
Net profit for the period	-	-	-	-	-	-	23 503	23 503
Other comprehensive income for the period	-	-	-	(79)	-	(5)	-	(84)
Distribution of profit	-	-	-	-	2 999	-	(2 999)	-
Dividend payment	-	-	-	-	-	-	(25 700)	(25 700)
Other	-	-	2	-	3	-	-	5
As at 30.06.2017 Unaudited	41 120	309 984	5 802	391	242 249	(14)	23 503	623 035
As at 1.01.2016 Audited	41 120	309 984	6 295	(779)	221 546	-	35 161	613 327
Corrections of errors	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	41 120	309 984	6 295	(779)	221 546	-	35 161	613 327
Net profit for the period	-	-	-	-	-	-	26 427	26 427
Other comprehensive income	-	-	-	559	-	-	-	559
Distribution of profit	-	-	-	-	17 685	-	(17 685)	-
Dividend payment	-	-	-	-	-	-	(17 476)	(17 476)
As at 30.06.2016 Unaudited	41 120	309 984	6 295	(220)	239 231	-	26 427	622 837

	Share capital	Share premium	Revaluation reserve	Other reserve capitals		Foreign exchange differences on translation of foreign operations	Retained earnings	Total
				Actuarial gains/ (losses)	Results from previous years			
Audited								
As at 1.01.2016	41 120	309 984	6 295	(779)	221 546	-	35 161	613 327
Corrections of errors	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	41 120	309 984	6 295	(779)	221 546	-	35 161	613 327
Net profit for the period	-	-	-	-	-	-	28 699	28 699
Other comprehensive income	-	-	(490)	1 249	-	(9)	-	750
Distribution of profit	-	-	-	-	17 685	-	(17 685)	-
Dividend payment	-	-	-	-	-	-	(17 476)	(17 476)
Other	-	-	(5)	-	16	-	-	11
As at 31.12.2016 Audited	41 120	309 984	5 800	470	239 247	(9)	28 699	625 311

SELECTED EXPLANATORY NOTES

1. General information

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

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

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

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

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

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

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

The registered office of the Company is located at ul. Złota 59 in Warsaw. The term of the Company is unspecified.

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

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

These condensed financial statements cover the period of 6 months ended June 30, 2017 and include comparative information for the period of 6 months ended June 30, 2016 and as at December 31, 2016.

These financial statements were approved for publication by the Management Board on August 30, 2017. The financial statements form part of the consolidated half-yearly report that contains also the condensed consolidated financial statements of Trakcja Group ("Group"), whose parent company is the Company.

The composition of Trakcja Group and other general information about the Company have been presented in Note 2 of the selected explanatory notes to the Group's condensed consolidated financial statements for the period of 6 months ended June 30, 2017.

The ultimate parent company in Trakcja Group is COMSA S.A., a Spanish company, which prepares the consolidated financial statements that include, among many, the data of Trakcja Group.

2. Accounting principles and changes therein in the half-year concerned

2.1. Significant values based on professional judgement, estimates and assumptions

Significant values based on professional judgement and estimates are described in detail in Note 6 to the annual financial statements of Trakcja PRKiI S.A. for 2016. In the first half-year of 2017, no significant changes have been made to any such accounting estimates, assumptions or professional judgement of the management as verified as at June 30, 2017.

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

Professional judgement

Fair value of financial instruments

If the market for financial instruments is not active, their fair value is established by using relevant measurement techniques. When selecting methods and assumptions, the Company follows the professional judgement. The assumptions made for this purpose are presented in Note 45 of the Notes to the annual financial statements of Trakcja PRKiI for 2016.

In the first half-year of 2017, the Company has not changed the measurement method for financial instruments measured at fair value. The carrying amounts of financial assets and liabilities are close to their fair values.

Classification of leases

The Management Board classifies a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. This depends on the economic substance of each transaction. For additional information please refer to Note 8.2.4, Note 41, Note 42 and Note 43 of the Notes to the Annual Financial Statements of Trakcja PRKiI for 2016.

Investment properties

The Company's Management Board classifies property as tangible non-current assets or investment properties depending on their intended use by the Company.

Classification of joint contractual arrangements

The Company verifies whether it exercises joint control and determines the type of joint arrangement in which it is involved by considering its rights and obligations under a given arrangement and the structure and legal form of the arrangement, as well as the terms thereof agreed by the parties.

Control over related entities

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

Trakcja PRKiI is the sole shareholder in PRK 7 Nieruchomości Sp. z o.o. and has control over the subsidiary. Trakcja PRKiI has become the shareholder in PRK 7 Nieruchomości as a result of the merger between Trakcja and PRK 7 S.A. which in turn owned PRK 7 Nieruchomości Sp. z o.o.

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

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

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

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

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

Trakcja PRKiI holds 100% of shares in Bahn Technik Wrocław Sp. z o.o. and has full control over the subsidiary. Trakcja PRKiI S.A. has become the owner of the company through the acquisition and obtaining of control over the remaining 50% of shares therein on December 30, 2016.

Trakcja PRKiI has an establishment in Bulgaria (formed on March 29, 2016) and an establishment in Ukraine (formed on March 3, 2017).

On February 9, 2017 a subsidiary named ТРАКЦІЯ УКРАЇНА (Trakcja Ukraina Sp. z o.o.) was established, whose registered office in Dnipro (Ukraine) and whose majority shareholder is PDM Białystok S.A., a subsidiary of Trakcja PRKiI. Trakcja Ukraina Sp. z o.o. has two subsidiaries: Trakcja Infra Sp. z o.o. and Trakcja Asphalt Sp. z o.o.

The Group's composition and the percentage of shares held have been presented in Note 2 of the Selected Explanatory Notes to the Group's condensed consolidated financial statements for the period of 6 months ended June 30, 2017.

Uncertainty in estimates and assumptions

Recognition of revenues

If the completion of a construction contract can be estimated reliably, revenues from a construction contract that is in progress in the period from the conclusion thereof to the balance sheet date, less any revenues that have had effect on the financial performance in the preceding financial years, are recognised by reference to the degree of progress in its completion. The Company measures the progress in completion thereof by reference to the expenses incurred from the conclusion of a given contract to the recognition of revenues in the total contract completion costs.

Provisions for additional works

Provisions for additional works are estimated based on the knowledge of the construction site (contract) directors with regard to the required or potential performance of additional works for the benefit of the contracting entity, in order to fulfil warranty obligations. The Company is obliged to grant warranty for its services. The provision for additional works is based on historical data. It is subject to individual review and may be increased or decreased when necessary. Any change in the estimates affects the value of the provisions. The change in the provisions for additional works is presented in Note 20.

Provisions for contractual penalties

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

Measurement of employee benefit liabilities

Any employee benefit liabilities for retirement allowances and jubilee bonuses are estimated in the current period on the basis of actuarial methods which take into account the amendments to the remuneration regulations made on June 3, 2017. The amount of liability depends on various factors which are applied as assumptions in the actuarial method. Key assumptions for determining the amount of liability are the discount rate and the average expected increase in wages.

Deferred tax assets

The Company recognises a deferred tax asset assuming that in the future a taxable profit is generated that will allow for its use. Any deterioration in the future taxable profits may result in the assumption becoming unjustified. The parent company's Management Board verifies the estimated recoverability of deferred tax assets on the basis of changes in the factors taken into account, new information and past experiences. The likelihood that deferred tax assets will be utilised against future taxable profits is assumed in the Company's forecast. The Company recognises deferred tax assets up to the amount corresponding to the likely amount of future taxable profit that will allow for negative temporary differences to be deducted.

Amortisation and depreciation rates

Depreciation and amortisation rates are determined on the basis of the expected economic useful lives of tangible non-current assets and intangible assets. The Company verifies the adopted economic useful lives each year on the basis of current estimates. In the first half-year of 2017, no significant changes were made to the amortisation and depreciation rates applied by the Company.

Investment properties

Investment properties are measured at fair value. The value of investment properties is determined by independent experts who hold valid authorisations to perform such valuations. In selecting the approach and technique thereof, the Company follows the principles set forth in IFRS 13 and in the Real Estate Management Act and also in the Regulation of the Council of Ministers on the detailed principles of property appraisal and rules and method for preparing appraisal reports. Fair value of investment properties is measured by way of applying measurement techniques that require a maximum use of observable data. As at June 30, 2017 the Company did not perform any measurements, as no circumstances occurred which would indicate that the value of investment properties might have changed.

Impairment of financial assets

Financial assets are tested for impairment using any available and generally applicable methods and taking into account the Company's forecast future cash flows related to the assets concerned.

Approach relating to the investment in AB Kauno Tiltai

The Company recognises the total cost of acquisition of individual companies, namely AB Kauno Tiltai, Lithold AB and Silentio Investments Sp. z o.o., whose shares it acquired on 19 April 2011 under a single agreement that covered the entire transaction. The aforementioned agreement determines the total amount payable for the companies acquired, and therefore specifies the total acquisition price for all the companies together and for each of the companies separately. In the opinion of the Company, the division of the acquisition price paid is not feasible in practice. The Company tests the investment as a whole for impairment. The carrying amount of shares in AB Kauno as at June 30, 2017 is presented in Note 11 hereto.

Write-downs of inventories

The Management Board assesses whether there are any indications that inventories may need to be written down in accordance with Note 8.8 of the Notes to the Financial Statements for 2016. For that purpose, the Company estimates the net realisable value of those inventories that lost their functional properties or are no longer useful. The changes in the write-downs of inventories are presented in Note 14 and Note 24 hereto.

Impairment of trade receivables and other receivables

The Management Board assesses whether there are any indications that trade receivables and other receivables may need to be impaired. The value of receivables is verified, taking into account the degree of probability of their payment, by way of recognising an impairment loss. Impairment losses depend on the likelihood of collection and the detailed analysis of key components of receivables. Depending on the type of customer and the source of receivables, the recoverability of receivables is assessed either on the basis of an individual analysis of individual receivables or on the basis of the statistical recoverability ratios estimated for collective receivables grouped by age. The recoverability ratios are calculated based on the past recoverability and customer behaviour, including also other factors which in the opinion of the Management Board may affect the recoverability of the current accounts receivable. The changes in the impairment loss on trade receivables and other receivables have been presented in Note 15 and Note 24 hereto.

Fair value and its measurement

Some assets and liabilities of the Company are measured at fair value for the purposes of financial reporting. The Company measures the fair value of assets or liabilities, to the extent possible, on the basis of the market data observable. The detailed information on the items measured at fair value is presented in Note 21 and Note 22 hereto.

Information regarding measurement techniques and input data used for measuring the fair value of individual assets and liabilities is disclosed in Note 23, Note 40 and Note 47 of the Notes to the consolidated financial statements of Trakcja Capital Group for 2016.

2.2. Basis for preparing financial statements

These financial statements are prepared according to the historical cost principle, except for the investment properties, financial derivatives and available-for-sale financial assets which are measured at fair value.

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

These financial statements are prepared on the assumption that the Company remains a going concern in the foreseeable future. As at the approval hereof, there are no circumstances that would indicate that any threats exist to the Company as a going concern.

These condensed interim financial statements do not cover all information or disclosures required in the annual financial statements and should be read together with the Company's financial statements for the year ended December 31, 2016.

The Polish zloty is the Company's measurement currency and the reporting currency in the condensed financial statements, whereas the Bulgarian lev (BGN) is the currency of the establishment of Trakcja PRKiI S.A. in Bulgaria and the Ukrainian hryvnia is the currency of the establishment in Ukraine.

2.3. Accounting principles

The condensed financial statements for the period from January 1, 2017 to June 30, 2017 are prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union. These financial statements are presented according to IAS 34 Interim Financial Reporting with the same principles being applied for the current and comparable periods and with the comparable period being adjusted accordingly to the changes in the accounting and presentation principles adopted in the current period.

The accounting principles adopted by the Company are described in detail in its annual financial statements for the financial year ended December 31, 2016, published on March 21, 2017 and in the condensed consolidated financial statements for the period of 6 months of 2017.

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

Except for the changes presented below, the accounting principles (policy) applied to these condensed financial statements for the first half-year of 2017 are consistent with those applied to the annual financial statements for the financial year ended December 31, 2016. The same principles apply to both the current and comparable period, unless a given standard or interpretation is to be applied only prospectively.

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

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

At the moment, the IFRS in the shape approved by the European Union do not differ significantly from the regulations issued by the International Accounting Standards Board (IASB), except for the below new standards and amendments to standards, as well as new interpretation, which as at August 30, 2017 have not yet been approved for application in the EU:

- **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods beginning on or after January 1, 2016) – The European Commission decided not to start the approval process of this interim standard for application in the EU until its final version is issued,
- **IFRS 16 Leases** (effective for annual periods beginning on or after January 1, 2019),

- **IFRS 17 Insurance Contracts** (effective for annual periods beginning on or after January 1, 2021),
- **Amendments to IFRS 2 Share-based Payment** – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2018),
- **Amendments to IFRS 4 Insurance Contracts** – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after January 1, 2018 or when IFRS 9 Financial Instruments is first applied),
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associated Entities and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, as amended (the effective date differed until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 Revenue from Contracts with Customers** – Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018),
- **Amendments to IAS 7 Statement of Cash Flows** – Disclosure Initiative (effective for annual periods beginning on or after January 1, 2017),
- **Amendments to IAS 12 Income Taxes** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after January 1, 2017),
- **Amendments to IAS 40 Investment Property** – Transfers of Investment Property (effective for annual periods beginning on or after January 1, 2018),
- **Amendments to various standards – Annual Improvements to IFRS Standards 2014–2016 Cycle** – Amendments made under the procedure for making annual improvements to IFRS (IFRS 1, IFRS 12 and IAS 28) which aimed primarily at eliminating any inconsistencies and clarifying the terminology thereof (amendments to IFRS 12 effective for annual periods beginning on or after January 1, 2017, and amendments to IFRS 1 and IAS 28 effective for annual periods beginning on or after January 1, 2018),
- **Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration** (effective for annual periods beginning on or after January 1, 2018),
- **Interpretation IFRIC 23 Uncertainty over Income Tax Treatments** (effective for annual periods beginning on or after January 1, 2019).

According to the Company's estimates, the aforementioned new standards, amendments to the existing standards and interpretation would have no significant impact on the financial statements, if they were applied by the Company as at the balance sheet date.

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

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

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

The following new standards have already been issued by the IASB and approved for application in the EU, but have not yet become effective as at the approval of these financial statements:

- **IFRS 9 Financial Instruments** – approved for application in the EU on November 22, 2016 (effective for annual periods beginning on or after January 1, 2018),
- **IFRS 15 Revenue from Contracts with Customers and Amendments to IFRS 15 Revenue from Contracts with Customers** – approved for application in the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2018).

The Company is in the process of analysing the effect of implementing IFRS 9 and IFRS 15 on the financial statements for periods following the entry into force thereof.

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

The new accounting standards did not have any significant impact on the interim financial statements for the first half-year of 2017. In the reporting period, the Company did not make any significant amendments to the accounting policy either.

Changes to the existing standards applied for the first time to the Company's financial statements for 2017

As at the approval of these financial statements, there were no amendments made to the existing standards which had been issued by the IASB and approved for application in the EU and which would be applied for the first time to the Company's financial statements for 2017.

Changes introduced by the Company independently

In the period covered by the condensed financial statements for the first half-year of 2017, no changes were made to the principles of accounting and preparing financial statements in comparison to those disclosed in the Company's financial statements for 2016 published on March 21, 2017.

2.5. Description of factors and events exerting a significant impact on the financial performance in the first half-year of 2017

In the first half-year of 2017, the Company's sales revenues were PLN 322,007 thousand and increased by 20.0% as compared to the corresponding period of the preceding year. The Company's cost of goods sold for the 6-month period of 2017 was PLN 305,227 thousand and increased in relation to the comparable period by 20.8%. The gross profit on sales was PLN 16,780 thousand and increased by PLN 1,036 thousand as compared to that for the corresponding period of the previous year. In the first half-year of 2017, the gross profit margin was 5.2% and decreased by 0.7 p.p. in comparison with its level in the comparable period.

The general and administrative costs were PLN 10,676 thousand and decreased by 14.6%, i.e. by PLN 1,818 thousand, in comparison with the comparable period. The cost of sales, marketing and distribution amounted to PLN 1,081 thousand and increased by PLN 140 thousand. The Company's other operating revenues were PLN 2,598 thousand and increased by PLN 677 thousand as compared to the first half-year of 2016. In the first half-year of 2017, the Company reversed the provision for employment restructuring, which is in keeping with Current Report No. 23/2016 published October 18, 2016. Therefore, the provision reversed amounted to PLN 1,831 thousand. A result thereon was recognised in other operating revenues. Other operating costs were PLN 807 thousand and increased by PLN 469 thousand. The Company's operating profit for the 6-month period of 2017 was PLN 6,814 thousand and increased by PLN 2,922 thousand as compared with the Company's operating profit for the first half-year of 2016. The increase resulted mainly from a reversal of the provision for employee benefits due to the amendment to the remuneration regulations, which had a positive effect on the Company's profit in the amount of PLN 3,796 thousand.

The Company's financial revenues for the period from January 1, 2017 to June 30, 2017 were PLN 21,702 thousand and decreased by PLN 3,812 thousand in relation to the comparable period. The decrease was caused mainly by dividends having been paid by subsidiaries in an amount lower by PLN 3,542 thousand. The Company's financial costs in the first half-year of 2017 increased by PLN 1,416 thousand and were PLN 3,563 thousand. The increase was primarily caused by interest costs higher than those incurred in the comparable period.

In the period analysed, the Company's gross profit was PLN 24,953 thousand. It was lower by PLN 2,306 thousand than the gross profit for the analogous period of the preceding year which was PLN 27,259 thousand.

The income tax for the first half-year of 2017 was PLN 1,450 thousand. The Company's net profit for the first half-year of 2017 was PLN 23,503 thousand and was lower by PLN 2,924 thousand than the net profit for the first half-year of 2016.

As at June 30, 2017 the Company's balance sheet total was PLN 1,059,527 thousand and was higher by PLN 45,469 thousand than the balance sheet total at the end of 2016.

As at June 30, 2017 the non-current assets were PLN 668,892 thousand and increased by PLN 11,814 thousand, i.e. by 1.8%, in comparison with the non-current assets as at December 31, 2016.

The Company's current assets increased by 9.4% in comparison with the current assets as at December 31, 2016, and were PLN 390,635 thousand. The trade and other receivables decreased by PLN 42,641 thousand and the inventory and the cash and cash equivalents increased, respectively, by PLN 14,937 thousand and by PLN 24,961 thousand. As at the end of June 2017 the construction contracts and advances paid towards contracts being performed were PLN 47,863 thousand and increased by PLN 34,284 thousand as compared to their value as at the end of the previous year.

As at June 30, 2017 the Company's equity was PLN 623,035 thousand and decreased by PLN 2,276 thousand, i.e. by 0.4%, in comparison with the equity as at December 31, 2016. Pursuant to a resolution adopted by the Annual General Meeting on June 27, 2017, the net profit for 2016 in the amount of PLN 25,700 thousand was allocated to pay dividends and in the amount of PLN 2,999 thousand to increase the supplementary capital. Dividends were paid

on July 19, 2017. The decrease in the Company's equity caused by the payment of dividends was substantially offset by the net profit for the first half-year of 2017 in the amount of PLN 23,503 thousand.

As at June 30, 2017 the long-term liabilities were PLN 59,881 thousand and decreased by PLN 20,855 thousand, i.e. by 25.8%, in comparison with their balance as at December 31, 2016. The decrease resulted mainly from a decrease in the long-term provisions as at June 30, 2017 as compared to their balance as at December 31, 2016. The decrease in the provisions was caused by the reversal of the long-term part of the provision for additional works in the amount of PLN 7,260 thousand. The decrease in the long-term liabilities was also caused by a decrease in the long-term liabilities arising from employee benefits by PLN 5,205 thousand as compared to those as at the end of the preceding year. The decrease resulted primarily from the amendment to the remuneration regulations, as described in Note 2.6 to the Report on the Activities of Trakcja Capital Group for the 6-month period ended June 30, 2017.

As at June 30, 2017 the short-term liabilities were PLN 376,611 thousand and increased by PLN 68,600 thousand, i.e. by 22.3%, in comparison with their balance as at the end of the previous year. The increase was caused primarily by an increase in the construction contracts and advances received towards contracts being performed, which as at June 30, 2017 were PLN 94,587 thousand and increased by PLN 77,153 thousand as compared to their balance as at the end of the preceding year. The aforementioned increase resulted mainly from the increase in the advances received towards contracts being performed, which was caused by gaining new contracts. The advances towards contracts being performed are disclosed as the short-term liabilities and will be settled during the performance of contracts as part of the Company's normal operating cycle.

3. Sales revenues

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Sales revenues		
Revenues from sale of construction services	316 620	265 639
Revenues from sale of goods and materials	1 060	607
Revenues from sale of other products and services	4 327	2 097
Total	322 007	268 343

4. Other operating revenues

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Reversal of provision including:	1 831	650
- reversal of provision for restructuring	1 831	-
- reversal of provision for litigation	-	650
Received penalties and fines	554	174
Overpaid social security contributions	-	245
Reimbursed costs from tenders in Denmark	-	571
Redeemed liabilities	-	81
Profit on sale of non-financial non-current assets	-	27
Other	213	173
Total	2 598	1 921

5. Other operating costs

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Paid penalties, fines and compensations	-	121
Damage of tangible non-current assets	522	-
Donations made	5	10
Cost of restructuring of production department	22	20
Receiveables write-off	37	42
Loss on sale of non-financial non-current assets	3	-
Other	218	145
Total	807	338

6. Financial revenues

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Financial revenue from interest, including:	101	314
- bank interest	39	200
- interest on receivables	11	3
- interest on loans	28	85
- other	23	26
Income from received dividends	21 601	25 143
Financial revenues from participation in guarantee costs	-	52
Profit from sale of investments	-	5
Total	21 702	25 514

In the first half-year of 2017, the Company recognised revenues from dividends in the amount lower by PLN 3,542 thousand than their balance in the analogous period of the previous year.

7. Financial costs

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	<i>Unaudited</i>	<i>Unaudited</i>
Financial cost from interest, including:	2 083	1 169
- on loans and borrowings	641	273
- on liabilities	48	20
- on factoring	114	20
- on leasing	813	664
- on liability from employee benefits	55	116
- other	412	76
Factoring related costs	182	152
Costs of commissions for advance payment guarantee	431	273
Loss from exchange rate differences	339	288
Financial commission paid	443	257
Financial expenses due to the cost of bank guarantees and insurance	85	8
Total	3 563	2 147

8. Income tax recognised in other comprehensive income

	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016
	Unaudited	Unaudited
Actuarial gains/(losses)		
Gross amount	(98)	690
Tax	19	(131)
Net amount	(79)	559
Foreign exchange differences on translation of foreign operations		
Gross amount	(5)	-
Tax	-	-
Net amount	(5)	-

9. Transactions of acquisition and sale of tangible non-current assets and other intangible assets, including any commitments for acquisition of tangible non-current assets

From January 1, 2017 to June 30, 2017 the Company purchased tangible non-current assets and intangible assets in the amount of PLN 13,141 thousand (PLN 8,635 thousand in the comparable period).

From January 1, 2017 to June 30, 2017 the Company sold tangible non-current assets and intangible assets in a total book value of PLN 55 thousand (PLN 14 thousand in the comparable period).

10. Investments in subsidiaries and entities consolidated under the equity method

As at June 30, 2017 the Company held the following shares in subsidiaries:

- shares in AB Kauno Tiltai with its registered office in Kaunas in the total amount of PLN 364,109 thousand which is 96.84% of the share capital of AB Kauno Tiltai. Trakcja PRKiI holds a total of 98.09% (96.84% directly and 1.25% indirectly) of the share capital of AB Kauno Tiltai. The indirect shareholding results from the acquisition of own shares by the subsidiary.
- shares in PRK 7 Nieruchomości Sp. z o.o. with its registered office in Warsaw in the amount of PLN 17,169 thousand which is 100% of its share capital;
- shares in Torprojekt Sp. z o.o. with its registered office in Warsaw in the amount of PLN 1,400 thousand which is 82.35% of its share capital;
- shares in Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o. in the amount of PLN 29,466 thousand which is 99.70% of its share capital;
- shares in Dalba Sp. z o.o. in the amount of PLN 385 thousand which is 100% of its share capital;
- shares in PDM Białystok S.A. in the amount of PLN 204 thousand which is 94.62% of its share capital;
- shares in Bahn Technik Wrocław Sp. z o.o. in the amount of PLN 23,508 thousand which is 100% of its share capital.

Having acquired and obtained control over the remaining 50% of shares in Bahn Technik Wrocław Sp. z o.o. as at December 30, 2017, the Company does not hold any shares in any entities consolidated under the equity method.

11. Investment properties

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
As at start of period (by type groups):	17 174	17 602
- land	13 739	13 532
- buildings, premises, civil and water engineering structures	3 435	4 070
Increases:	-	399
- land	-	399
- revaluation	-	399
Decreases	-	(827)
- land	-	(192)
- revaluation	-	(192)
- buildings, premises, civil and water engineering structures	-	(635)
- revaluation	-	(635)
As at end of period (by type groups):	17 174	17 174
- land	13 739	13 739
- buildings, premises, civil and water engineering structures	3 435	3 435

Investment properties are measured by the Company at fair value. The Company estimates their values as at December 31 on the basis of valuations carried out as at such a date by independent experts. Throughout the year, as at the consecutive balance sheet dates, i.e. March 31, June 30 and September 30, the Company assesses whether there are any indications that the fair value may need to be changed.

The most recent valuation of investment properties by an independent expert was carried out as at December 31, 2016. As at June 30, 2017 the Company stated that there were no indications that the values of investment properties changed significantly. The valuation method applied and the unobservable input data used for valuation, as well as the descriptive presentation of the fair value sensitivity to changes in the unobservable input data are described in detail in Note 22 to the annual financial statements for the financial year ended December 31, 2016. In the first half-year of 2017, the measurement method remained unchanged.

The Company categorises investment properties within Level 3 of the fair value hierarchy. In the first half-year of 2017, there were no transfers made between Levels 1, 2 and 3.

12. Construction contracts

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Surplus of invoiced revenues over revenues resulting from degree of advancement	10 245	13 272
Surplus of revenues resulting from degree of advancement over invoiced revenues	41 168	13 360
Advances paid towards contracts being performed	6 695	219
Advances received towards contracts being performed	83 496	3 690
Provision for anticipated losses on contracts	846	472
Recognised in balance sheet:		
<i>in current assets</i>		
Construction contracts and advances paid towards contracts being performed	47 863	13 579
<i>in short-term liabilities</i>		
Construction contracts and advances received towards contracts being performed	94 587	17 434

The advances paid towards contracts being performed increased owing to the award of new contracts to the Company. The advances towards contracts being performed are disclosed as the short-term liabilities and will be settled during the performance of contracts as part of the Company's normal operating cycle.

13. Inventory

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Materials	40 537	27 945
Semi-finished goods and products in progress	4 794	2 467
Finished goods	148	158
Merchandise	10	10
Total, gross inventory	45 489	30 580
Inventory revaluation write-offs	(152)	(180)
Materials	40 412	27 793
Semi-finished goods and products in progress	4 795	2 467
Finished goods	120	130
Merchandise	10	10
Total, net inventory	45 337	30 400

14. Trade and other receivables

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Gross trade receivables, before discounting	274 787	293 016
Discounting of receivables	-	-
Total, gross trade receivables	274 787	293 016
including:		
- receivables from related entities	1 854	3 106
Receivability due to dividend payment	790	-
Budgetary receivables	4	6
Receivables claimed in court	2 097	2 948
Amounts held	2 832	3 015
including:		
- amounts held from related entities	18	18
Other receivables from third parties	5 044	4 578
Total, gross trade and other receivables	285 554	303 563
Receivables revaluation write-offs	(46 893)	(22 261)
Total	238 661	281 302

15. Cash and cash equivalents

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Cash in hand	65	42
Cash at bank	1 790	1 602
Other cash and cash equivalents - deposits	41 905	17 176
Cash in transit	21	-
Total	43 781	18 820

16. Share capital

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Series A ordinary shares	51 399 548	51 399 548
Total	51 399 548	51 399 548

The Company's share capital is PLN 41,119,638.40 and is divided into 51,399,548 shares with a par value of PLN 0.8 each, which give entitlement to the same number of votes at the Company's General Meeting. All shares are fully paid-up.

17. Interest-bearing loans and borrowings

Long-term interest-bearing loans and borrowings:

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Bank loans	16 596	16 974
- investment loans	16 596	16 974
Loans from other entities	6 439	8 761
- project purpose loans	6 439	8 761
Financial lease liabilities	25 970	29 024
Total	49 005	54 759

Short-term interest-bearing loans and borrowings:

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Bank loans	4 904	4 529
- investment loans	4 904	4 529
Loans from other entities	4 593	4 495
- project purpose loans	4 593	4 495
Financial lease liabilities	7 081	7 224
Total	16 578	16 249

Total short and long term loans and borrowings	65 583	71 008
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18. Trade and other liabilities

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Trade liabilities, before discounting	172 196	217 173
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	172 196	217 173
including:		
- liabilities to related entities	3 003	4 755
Amounts held	8 961	11 379
including:		
- to related entities	188	211
Budgetary liabilities	31 583	13 186
Payroll liabilities	2 300	2 345
Other liabilities towards third parties	238	970
Liability due to dividend payment	25 700	-
Total trade and other liabilities	240 978	245 053

Trade liabilities and amounts held:

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Trade liabilities and amounts held before discounting	181 157	228 552
With maturity within 12 months	178 481	226 688
With maturity over 12 months	2 676	1 864
Discounting of liabilities	-	-
Total, Trade liabilities and amounts held after discounting	181 157	228 552

19. Provisions

As at 1.01.2017	37 299
<i>Audited</i>	
Recognized	1 910
Used	(4 741)
Reversed	(10 838)
As at 30.06.2017	23 630
<i>Unaudited</i>	
including	
- long-term	7 681
- short-term	15 949

As at December 31, 2016 the provisions for additional works were PLN 30,572 thousand and as at June 30, 2017 their balance was PLN 20,348 thousand. In the first half-year of 2017, the Company reversed the provisions for additional works in the amount of PLN 7,918 thousand and also used them in the amount of PLN 2,985 thousand. The Company also reversed the provisions for restructuring in the amount of PLN 1,831 thousand, which was reflected in other operating revenues.

20. Fair value of financial instruments

In the first half-year of 2017, the Company did not change the measurement method for any categories of financial instruments measured at fair value as compared to the annual financial statements. The carrying amounts of financial assets and liabilities are close to their fair values.

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

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

For the shares held in other entities (including the related entities), the Company is unable to reliably determine their fair value due to the fact that they are not listed on the active market. In keeping with the accounting policy adopted by the Company, such shares are measured at cost less any impairment losses. A test for impairment was performed as at December 31, 2016. As at June 30, 2017 the Company did not perform any tests for impairment, as no circumstances occurred which would indicate that the related entities might have been impaired.

In the first half-year of 2017, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

21. Assets and liabilities measured at fair value

The Company measures at fair value such categories of assets and liabilities as investment properties and financial derivatives. In the first half-year of 2017, the measurement method applied to the aforementioned assets and liabilities remained unchanged. The measurement method applied and the unobservable inputs used for measurement are described in detail in the Company's Annual Financial Statements for 2016.

	30.06.2017 Unaudited	Level 1	Level 2	Level 3
Investment properties:	17 174	-	-	17 174
Office property	17 174	-	-	17 174
- grunty	13 739	-	-	13 739
- budynki	3 435	-	-	3 435
	31.12.2016 Audited	Level 1	Level 2	Level 3
Investment properties:	17 174	-	-	17 174
Office property	17 174	-	-	17 174
- grunty	13 739	-	-	13 739
- budynki	3 435	-	-	3 435

Level 1 – quoted market prices for similar assets or liabilities in active markets;

Level 2 – prices in active markets other than quoted market prices, set directly (by comparison with actual transactions) or indirectly (by application of measurement methods based on actual transaction);

Level 3 – prices other than prices in active markets.

In the first half-year of 2017, no fair value was transferred between Level 1, 2 or 3 in the fair value hierarchy.

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

In the first half-year of 2017, the Company did not reclassify any financial assets due to changes in their purpose or use.

23. Change in impairment losses and write-downs

	Inventory	Receivables	Total
As at 1.01.2017	180	22 261	22 441
<i>Audited</i>			
Recognized	74	26 693	26 767
Used	-	(848)	(848)
Reversed	(102)	(1 213)	(1 315)
As at 30.06.2017	152	46 893	47 045
<i>Unaudited</i>			

The impairment loss on receivables recognised in the first half-year of 2017 includes an impairment loss on receivables from contractual penalties to be paid by subcontractors, in the amount of PLN 25,007 thousand.

24. Contingent and other off-balance-sheet items

	30.06.2017	31.12.2016
	<i>Unaudited</i>	<i>Audited</i>
Contingent receivables		
From related entities due to:	77 820	70 075
Received guarantees and sureties	73 934	65 240
Bills of exchange received as collateral	3 886	4 835
Total contingent receivables	77 820	70 075
Contingent liabilities		
From other entities due to:	2 498 685	2 002 238
Provided guarantees and sureties	628 454	509 877
Promissory notes	574 647	547 720
Mortgages	99 000	99 000
Assignment of receivables	1 068 027	722 767
Assignment of rights under insurance policy	47 370	41 559
Security deposits	14 128	12 133
Other liabilities	67 059	69 183
Total contingent liabilities	2 498 685	2 002 239

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

As at June 30, 2017, except for the aforementioned contingent receivables and liabilities, the Company had contingent receivables in the amount of PLN 1,556 thousand (as compared to PLN 1,503 thousand as at December 31, 2016) arising from the employment contracts signed with employees. If a manager fails to meet his or her obligations defined in Article 1 of the Non-Competition Agreement, he or she will pay, immediately and without a termination notice or any demand issued by the Company, a contractual penalty in the amount equal to the PLN equivalent of EUR 25,000 for each failure and the amount equal to the PLN equivalent of EUR 1,000 for each day in which such a failure occurs or continues.

The contingent liabilities arising from employment contracts with employees were PLN 5,442 thousand as at June 30, 2017 (PLN 5,821 as at December 31, 2016).

Tax settlements and other fields of business subject to regulations (for example, customs or foreign currency matters) may be subject to inspections by administrative authorities entitled to impose high penalties and sanctions. The lack of reference to the well-established legal regulations in Poland results in the legislation in force being ambiguous and inconsistent. Frequent differences in opinions as to the legal interpretation of tax regulations, both within the state authorities themselves and between such authorities and business entities, create conflicts and uncertainty. Such events result in the tax risk in Poland being much higher than in countries with more advanced tax systems. Tax settlements may be subject to inspection during the period of five years starting from the end of the year in which the tax was paid. As a result of the inspections carried out, any current tax settlements of the Company may be increased by additional tax liabilities. In the Company's opinion, the provisions recognised as at June 30, 2017 are sufficient to mitigate the recognised and measurable tax risk.

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

25. Transactions with related entities

Transactions with related entities are made at arm's length.

Please also find below information on receivables from and liabilities towards the related entities as at balance sheet date and as at the end of the comparable period.

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Financial revenue from FX differences and other
Shareholders:					
COMSA S.A.	1.01.17-30.06.17	-	732	-	-
	1.01.16-30.06.16	-	973	-	-
Subsidiaries:					
PRK7 Nieruchomości Sp. z o.o.	1.01.17-30.06.17	9	2	28	-
	1.01.16-30.06.16	11	18	85	602
Torprojekt Sp. z o.o.	1.01.17-30.06.17	115	1 572	-	790
	1.01.16-30.06.16	64	912	-	616
AB Kauno Tiltai	1.01.17-30.06.17	1 448	-	-	19 143
	1.01.16-30.06.16	1 489	-	-	22 617
PEUIM Sp. z o.o.	1.01.17-30.06.17	-	473	-	1 668
	1.01.16-30.06.16	161	297	-	1 309
Dalba Sp. z o.o.	1.01.17-30.06.17	2	-	-	-
	1.01.16-30.06.16	16	-	-	-
PDM Białystok S.A.	1.01.17-30.06.17	412	-	-	-
	1.01.16-30.06.16	-	-	-	-
AB Kauno Tiltai - branch in Poland	1.01.17-30.06.17	-	2	-	-
	1.01.16-30.06.16	-	1	-	-
BTW Sp. z o.o.	1.01.17-30.06.17	414	2 604	-	-
Joint venture:					
BTW Sp. z o.o.	1.01.16-30.06.16	548	3 443	-	-
Total	1.01.17-30.06.17	2 400	5 385	28	21 601
	1.01.16-30.06.16	2 289	5 644	85	25 144

The total amounts of transactions made between the related entities in the period covered by the condensed financial statements and in the comparable period are presented below.

Related entities	Reporting date	Net receivables from related entities	Liabilities towards related entities	Loans granted
Shareholders:				
COMSA S.A.	30.06.2017	-	730	-
	31.12.2016	-	831	-
Subsidiaries:				
Bahn Technik Wrocław Sp. z o.o.	30.06.2017	277	1 839	-
	31.12.2016	82	2 128	-
PRK7 Nieruchomości Sp. z o.o.	30.06.2017	5	1	-
	31.12.2016	2	-	3 215
Torprojekt Sp. z o.o.	30.06.2017	835	618	-
	31.12.2016	23	1 579	-
AB Kauno Tiltai	30.06.2017	1 527	3	-
	31.12.2016	2 999	3	-
PEUIM Sp. z o.o.	30.06.2017	-	-	-
	31.12.2016	-	425	-
Total	30.06.2017	2 644	3 191	-
	31.12.2016	3 106	4 966	3 215

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

Trakcja PRKił S.A. and its subsidiary, AB Kauno Tiltai, concluded an agreement for the provision by the Issuer of support services to the subsidiary in the area of finance management, strategic management and human resources management. The Issuer's remuneration is determined at arm's length as the costs incurred by the Issuer as a result of the services provided plus a fixed margin.

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

The total value of remuneration and other benefits for the Management Board members in the first half-year of 2017 was PLN 2,675 thousand, including PLN 2,548 thousand recognised as costs of the parent company and PLN 127 thousand recognised as costs of its subsidiaries.

In the comparable period of 2016, the total value of remuneration and other benefits for the Management Board members was PLN 5,945 thousand, including PLN 4,206 thousand recognised as costs of the parent company and PLN 1,739 thousand recognised as costs of its subsidiaries.

The total value of remuneration and other benefits for the Supervisory Board members in the first half-year of 2017 was PLN 607 thousand, including PLN 480 thousand recognised as costs of the parent company and the remaining amount of remuneration, namely PLN 127 thousand, recognised as costs of its subsidiaries.

In the comparable period of 2016, the total value of remuneration and other benefits for the Supervisory Board members was PLN 405 thousand, including PLN 143 thousand recognised as costs of the parent company and the remaining amount of remuneration, namely PLN 262 thousand recognised as costs of its subsidiaries.

27. Events subsequent to the end of the reporting period, which are not reflected in the financial statements for the first half-year of 2017

Significant events subsequent to the end of the reporting period have been presented in Note 43 of the consolidated interim financial statements of Trakcja Group for the 6-month period ended June 30, 2017.

Warsaw, August 30, 2017

Management Board:

Jarosław Tomaszewski
President of the Management Board

Paweł Nogalski
Vice-President of the Management Board

Marek Kacprzak
Vice-President of the Management Board

Person responsible for keeping the accounting records:

Elżbieta Okuła
Chief Accountant



TRAKCJA CAPITAL GROUP

REPORT ON THE ACTIVITIES OF TRAKCJA CAPITAL GROUP
FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2017

prepared pursuant to § 90 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information to be published by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent (Journal of Laws of 2014, item 133), as amended

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

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Figures provided in this Report on the Activities of the Group are presented in thousand Polish zloty, unless explicitly stated otherwise. Financial information herein is prepared in accordance with IAS 34 Interim Financial Reporting approved by the European Union. This Report on the Activities of the Group does not cover all information or disclosures required in the annual report on the activities and it should be read together with the Group's consolidated financial statements for the year ended December 31, 2016. We would also like to emphasise forward-looking statements (e.g. may, will, expect, consider, estimate), because they are based on certain assumptions subject to risk and uncertainty. Therefore, the Group is not responsible for such information.

1. Business Activities of Trakcja Group

1.1 General information on the Group

Trakcja Group ("Trakcja Group" or "Group") is one of the leading entities on the Polish and Lithuanian railway and road infrastructure construction market.

The Group's activities concentrate on the comprehensive performance of works relating to a widely understood railway and road infrastructure with the use of modern machinery. The Group specialises in providing engineering and construction services in the following scope: design, construction and modernisation of railway and tramway lines, railway and tramway electrification system and power lines, as well as construction of bridges, viaducts, piers, overpasses, tunnels, underpasses, retaining walls, roads and associated elements of railway and road infrastructure. In addition, Trakcja Group may perform general construction works, including the preparation of construction sites and the construction and modernisation of structures, as well as structural works and finishing works. The key part of the Group's activities consists in the construction of buildings both for railway infrastructure purposes (traction substation buildings, switch towers, railway crossing cabins, railway stations, train buildings and other) and for general purposes (residential and commercial). The services provided also include the development of power systems and remote control systems. For over seventy years, the Group members have been responsible for comprehensive medium and high voltage power systems in the new and also modernised and renovated railway power facilities. The Group modernised several thousand kilometres of railway lines and provided power to over 10,000 kilometres of railway lines. It also constructed and modernised over 450 traction substations and 380 track section cabins.

In the road construction sector, the Group specialises in the construction and alteration of roads, motorways, bridges, viaducts, airports, water ports and public utility infrastructure systems. Since its establishment, i.e. since 1949, AB Kauno Tiltai, a member of the Group and the largest company in the infrastructure construction sector in the Baltic countries, has constructed over 100 bridges and viaducts and has been responsible for constructing and reconstructing numerous roads in Lithuania.

The Group's main attributes include its ability to provide for the comprehensive performance of projects within its own capacity in all industries (railway track works, engineering facilities and overhead contact lines), its portfolio of contracts awarded and:

- its highly-qualified management along with the customer-orientated team,
- its wide experience of professional performance and coordination of works completed in a timely manner and according to the highest European standards,
- its modern machinery.

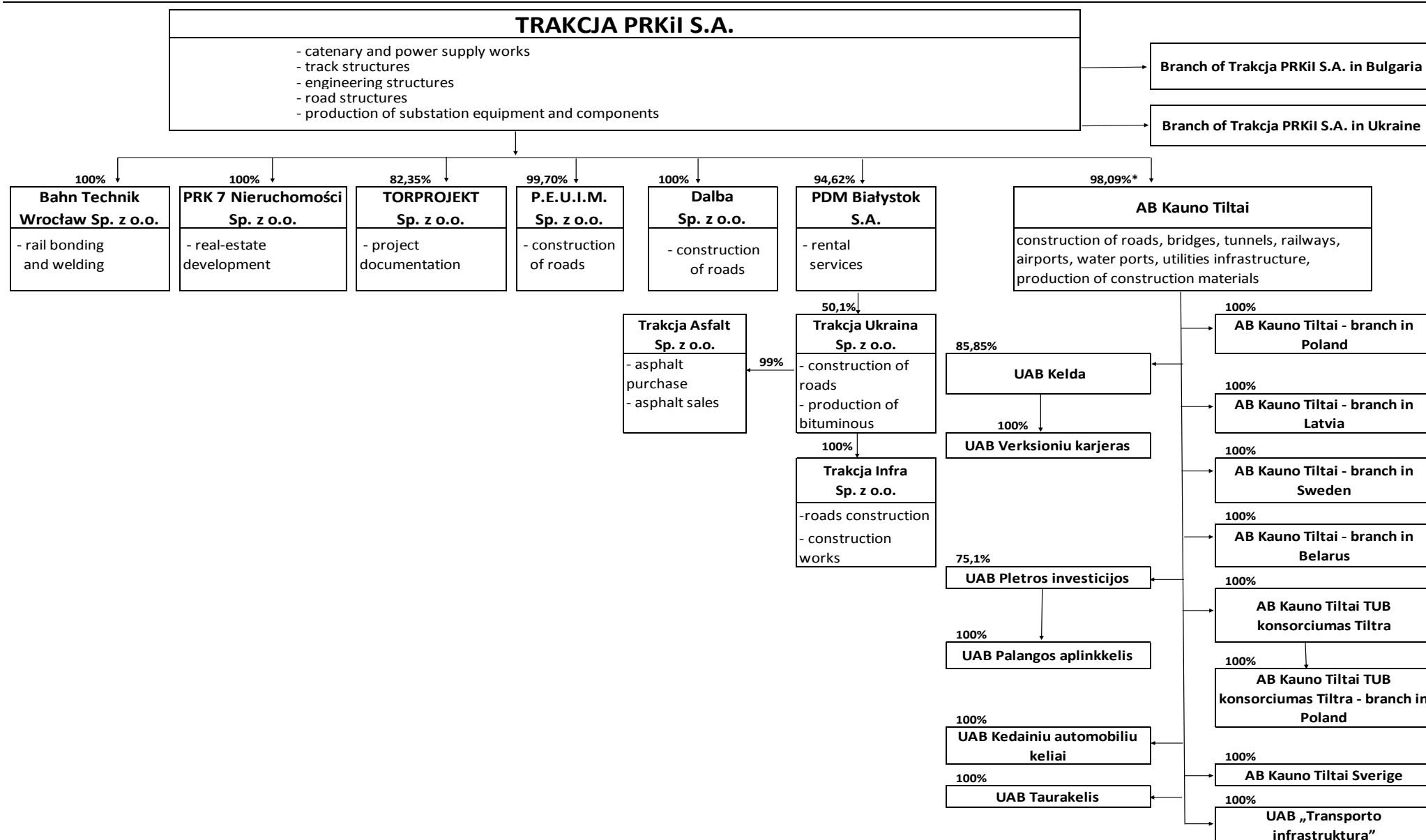
The Group has a competitive advantage over other companies, and its position on the market of services relating to the railway and road infrastructure both in Poland and in Baltic countries is grounded and stable.

The long-term market practice enabled the Group to develop management techniques for the projects performed, which ensure that the companies are able to complete the works assigned to them within the agreed schedules and that simultaneously the required quality is maintained and the special requirements of investors are met.

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

1.2 Structure of the Group

As at June 30, 2017 the Group's structure was as follows:



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

1.3 Changes in the Group and their consequences

In the first half-year of 2017 the structure of Trakcja Group has changed. On February 9, 2017 a subsidiary was established with a business name of ТРАКЦІЯ УКРАЇНА (Trakcja Ukraina Sp. z o.o.) and with its registered office in Dnipro (Ukraine), whose majority shareholder is PDM Białystok S.A. and on March 3, 2017 Trakcja PRKiI established a branch of its company in Ukraine. Trakcja Ukraina Sp. z o.o. has two subsidiaries: Trakcja Infra Sp. z o.o. and Trakcja Asphalt Sp. z o.o. Due to an insignificant impact of the Ukrainian companies on the Group's performance, their data is not included herein.

1.4 Information on key members of Trakcja Group

Consolidated entities:

PRK 7 Nieruchomości Sp. z o.o.

PRK 7 Nieruchomości carries out real estate development activities and has a track record of several successful investment projects, which include, in particular, Lazurów Osiedle residential project in Warsaw (stage I and II) and the projects at ul. Oliwska in Warsaw and at ul. Półczyńskiego in Warsaw. Currently, the company is engaged in selling terraced houses located at ul. Oliwska in Warsaw.

Torprojekt Sp. z o.o.

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

AB Kauno Tiltai

AB Kauno Tiltai is the largest company in the road and bridge construction sector in the Baltic countries. It specialises in the construction and reconstruction of roads, bridges, tunnels, railways, airports, water ports, which is demonstrated, inter alia, by the fact that since its establishment, i.e. since 1949, AB Kauno Tiltai has constructed over 100 bridges and viaducts and has been responsible for constructing and reconstructing numerous roads in Lithuania.

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

PEUiM Sp. z o.o. operates in the road construction sector and its business activities are concentrated in the north-east of Poland. The company was established in Białystok in 1960. PEUiM Sp. z o.o. specialises in the construction of roads and pavements, and in the installation of signalling and safety devices to secure the roads. The company also manufactures bituminous mass, concrete and other building materials.

Bahn Technik Wrocław Sp. z o.o.

On December 30, 2016 Trakcja PRKiI became the sole shareholder in Bahn Technik Wrocław Sp. z o.o. ("BTW"). The transaction is described in detail in Note 3.1 to the consolidated annual financial statements for the year ended December 31, 2016. Until December 31, 2016 the Group exercised joint control over BTW and classified the company as a joint venture pursuant to IFRS 11. It is recognised that the Group gained control over BTW on December 30, 2016 and since then BTW has been fully consolidated.

The business activities of BTW include the sale of Strail crossing surface offered by Gummiwerk Kraiburg Elastik GmbH, thermite welding, repair and renovation of turnouts, renovation of railway and tramway crossings, provision of pre-stressed, glued insulation joints type S, welding of tram and railway tracks, tamping and profiling of railway and tramway tracks, sale of Perker SR rail lubrication systems and A.Rawie rail buffer stops. In addition, since December 2016, BTW has had a GOTTWALD crane and a DGS track stabilizer. BTW provides its services both in Poland and abroad.

Other consolidated entities:

Other consolidated entities include the following: Dalba Sp. z o.o., PDM Białystok S.A., UAB Kelda, UAB Verkšionių karjeras, UAB Taurakelis, UAB Kedainių Automobilio Keliai, AB Kauno Tiltai TUB Konsorciūmas Tiltra, UAB Pletros investicijos, UAB Palangos aplinkkelis, UAB Transporto infrastruktūra and AB Kauno Tiltai Sverige.

1.5 Employment in the Group

	6-month period ended	
	30.06.2017	30.06.2016
Average employment in the Capital Group during the period:		
Management Board of Parent entity	3	5
Management Boards of subsidiaries	15	14
Administration	225	213
Sales department	35	34
Production division	1 289	1 297
Machine operators	240	244
Technical employees	142	142
Other employees	39	41
Total	1 988	1 990

	30.06.2017	31.12.2016
Employment in the Capital Group as at:		
Management Board of Parent entity	3	3
Management Boards of subsidiaries	15	13
Administration	229	228
Sales department	107	92
Production division	1 329	1 204
Machine operators	266	238
Technical employees	136	141
Other employees	39	43
Total	2 124	1 962

1.6 Products and services

The Group's activities comprise the following areas of services:

Comprehensive modernisation of railway lines

Modernisation of the railway lines includes:

- Development and reconciliation of concepts for all industries, preparation of the design documentation, construction documentation, detailed design documentation, as well as the obtaining of all permits and permissions and the preparation of the as-built documentation,
- Replacement of railway track substructure and superstructure using the mechanised substructure and track machinery, including the development of the drainage system,
- Disassembly of a traction network, including the removal of old foundations and the construction of a new traction network with the use of modern methods for positioning foundations, through the application of the piling method and with the use of trains for stream replacement of the network,
- Renovation or complete reconstruction of civil engineering facilities, culverts, bridges and overpasses,
- Construction of power supply systems for railway lines,
- Comprehensive modernisation of railway crossings (crossings of roads with railway lines),
- Reconstruction of a railway traffic control system,
- Preparation of construction sites,
- Construction of complete buildings or parts thereof,
- Development of construction systems, civil engineering works for tracks and roads,
- Construction of overhead and underground power distribution lines,
- Construction of a railway and tramway electric electrification system and a hydraulic engineering system,
- Comprehensive construction of engineering facilities.

Moreover, the Group cooperates, if necessary, with companies that specialise mainly in works on the safety of railway traffic and on the telecommunications.

Within the framework of supplementary activities, the Group produces different types of industrial devices used for modernising the railway infrastructure, which include the following: 15 kV traction and mobile switchboards, 3 kV, 1.5 kV, 1 kV, 0.8 kV direct current switchboards, control cabinets, local and remote control devices, network isolating switches, steel constructions for the assembly of substations and power system elements and certain traction network equipment.

Construction of buildings

Trakcja Group constructs:

- Public utility buildings,
- Industrial facilities.

Developer activities

The activities of PRK 7 Nieruchomości Sp. z o.o., which is a member of Trakcja Group, include:

- Construction,
- Servicing of real estate on its own account,
- Leasing of real estate on its own account.

PRK 7 Nieruchomości Sp. z o.o. implements development projects, in particular, constructs residential premises and segments on its own land.

Road infrastructure construction

These activities cover:

- Roads – construction and reconstruction of motorways, roads, streets, squares and car parks; services relating to road maintenance in winter and summer,
- Bridges – construction and reconstruction of bridges, viaducts and flyovers,
- Tunnels – construction and reconstruction of tunnels,
- Airports – construction and reconstruction of airport runways and landing areas, air plane parks and special purpose areas.

Power engineering construction

These activities include:

- Development of a concept, preparation of a design documentation along with the permits and transmission easements for the transmission power lines and HV substations,
- Comprehensive network construction of electric power facilities,
- Construction of specialised power systems in the industrial and public utility facilities,
- Construction, maintenance and renovation of the road lighting network,
- Provision of services relating to the power network diagnostics, along with its servicing and maintenance.

Other activities

Other activities include:

- Construction of quays – construction and alteration of ports and harbours and other quayside structures,
- Engineering infrastructure – construction of water supply systems, sewage systems, water systems and water treatment plants, and also road and street lighting, as well as provision of traffic control signal assembly and repair services,
- Construction of sports facilities,

- Manufacture of building materials: asphalt concrete, bitumen emulsions, including polymer modified ones, concrete and reinforced concrete products, as well as extraction and processing thereof.

1.7 Significant construction contracts

As at June 30, 2017 the Trakcja Group's portfolio of construction contracts was PLN 1,851 million (excluding any revenues allocated to consortium members). In the first half-year of 2017, the companies within Trakcja Group signed construction contracts with the total value of PLN 1,138 million (excluding any revenues allocated to consortium members). The contract portfolio as at June 30, 2017 ensures that Trakcja Group will operate at 100% of its capacity in the current financial year. The Group's participation in new tenders will allow it to significantly increase its future revenues in 2017. Therefore, Trakcja Group will keep on restoring its contract portfolio. As at the publication hereof, the parent company's ten most attractive contracts totalled PLN 834 million. If the aforementioned tenders are awarded to the Group, the Management Board expects that the contract portfolio will increase significantly in the coming months.

In addition, with regard to Current Report No. 15/2017 dated August 16, 2017, the parent company and PKP PLK S.A. concluded the agreement for design and completion of construction works on the railway line E20 Siedlce – Terespol as part of the project "Works on the railway line E20, at the section Siedlce – Terespol, PHASE III – LCS Terespol". The agreement's net value is PLN 417.5 million. Works are to be completed within 36 months of their commencement.

Trakcja Group primarily performs railway and road contracts on Polish and Lithuanian markets. The Group's equipment and human resources allow for large contracts with value between several dozen and several hundred million to be performed. The largest contracts completed by the Group in the first half-year of 2017 are presented in the table below (the contract amounts specified include the construction works allocated to consortium members).

No.	Contract name	Net value of the contract	Work types
1.	Modernization of the railway line E59 on the section Wrocław – Poznań, II stage – section Wrocław – voivodeship Dolnośląskie border	535	rail works
2.	Implementation of construction works in LCS Łowicz – section Sochaczew – Żychlin and section Placencja – Łowicz Główny as part of the task "Works on the railway line E 20 on the section Warszawa-Poznań – other works, section Sochaczew-Swarzędz"	428	rail works
3.	Modernization of the railway line E 30/C-E 30, section Kraków - Rzeszów, stage III (Dębica - Sędziszów Małopolski)	421	rail works
4.	Design and implementation of construction works under the project „Works on the railway line no. 140, 148, 157, 159, 173, 689, 691 on the section Chybie – Żory – Rybnik – Nędza / Turze"	374	rail works
5.	Design and implementation of construction works of LCS Warszawa Okęcie under the project POIiŚ 7.1-19.1.a. "Modernization railway line no. 8, section Warszawa Okęcie - Radom (LOT A, B, F)	370	rail works
6.	Modernization of the railway line E 30/C-E 30, section Kraków – Rzeszów, stage III; on the section Sędziszów Małopolski – Rzeszów Zachodni in km 133,600 – 154,900	304	rail works
7.	Construction works under Tender no 1 - Modernization of the section Jaworzno Szczakowa - Trzebinia (km 1,150 - 0,000 line no 134, km 15,810 - 29,110 line no 133) under the project "Modernization of the railway line E30, section Zabrze - Katowice - Kraków, stage IIb".	296	rail works
8.	Construction of the Trans-European network interchange - Vilnius western bypass Phase III	293	road works
9.	Design and construction of the expressway S-5, Szubin-Jaroszewo	286	road works
10.	Task A: Preparation of project documentation and implementation of the construction works under the project „Revitalization of railway line no 405 section, voivodeship border – Słupsk-Ustka", Task B: Design and building of srk machines from railway station Szczecinek km 71,480 to km 104,515 implemented under the project „Increase of safety and liquidation of operating dangers at the rail network"	165	rail works
11.	Modernization of the railway line E59 on the section Wrocław – Poznań, Stage III – section Czempin – Poznań	155	rail works

The most significant construction contracts entered into by the Trakcja Group members in the first half-year of 2017 are the following (the contract amounts specified include the construction works allocated to consortium members):

No.	Name of contract	Contract value (net mPLN)	Company	Work type
1.	Works on the E20 railway line, LCS Łowicz: Sochaczew - Żychlin and Placencja - Łowicz Główny	428	Trakcja PRKiI S.A.	rail works
2.	Design and execution of construction works on the railway lines No. 140, 148, 157, 159, 173, 689, 691, section: Chybie – Żory – Rybnik – Nędza / Turze	374	Trakcja PRKiI S.A.	rail works
3.	Revitalization of the railway line No. 405, section: Słupsk - Ustka	165	Trakcja PRKiI S.A.	rail works
4.	Construction and extension of provincial road No. 676, section: Białystok - Supraśl	99	Trakcja PRKiI S.A., PEUiM Sp. z o.o.	road works
5.	Expansion of provincial road No. 548, section: Stolno - Wąbrzeźno	68	Trakcja PRKiI S.A.	road works
6.	Works on the railway line No. 201, section: Nowa Wieś Wielka - Maksymilianowo, stage II	60	Trakcja PRKiI S.A.	rail works
7.	Construction of the Sitarska street extension in Białystok	28	PEUiM Sp. z o.o.	road works
8.	Design and execution of two level intersections in Kobyłka Ossów, Kobyłka, Jasienica Mazowiecka, Łochów and Topór	28	Trakcja PRKiI S.A.	road works
9.	Works on the railway line No. 353, section: Poznań Wschód - Mogilno	27	Trakcja PRKiI S.A.	rail works
10.	Expansion of provincial road No. 224, section: Godziszewo - Stanisławie	20	Trakcja PRKiI S.A.	road works
11.	Construction of a two-track 110kV line, Radzymin - Wieliszew	15	Trakcja PRKiI S.A.	energy works
12.	Road works in Panevėžys, Lithuania	14	AB Kauno Tiltai	road works
13.	Modernization of the railway line No. 4, Idzikowice - Opoczno Południe and Opoczno Południe - Olszawowice	13	Trakcja PRKiI S.A.	rail works
14.	Modernization of the 110/15kV station in Maków Mazowiecki	10	Trakcja PRKiI S.A.	energy works
15.	Other contracts	144	-	different
TOTAL		1 493		

1.8 Strategy and development of Trakcja Group

In the first half-year of 2017, the Group successfully continued its organisational and legal restructuring process to achieve synergies and enhance its operational efficiency and financial power. An important aspect in the restructuring process was the redundancy process implemented in the parent company under the Regulations on Collective Redundancies, which was completed as at June 30, 2017. As part of the restructuring process, 65 employment contracts were terminated in the period from September 23, 2016 to June 30, 2017. In keeping with the announced schedule, the process was completed and as at June 30, 2017 the provision related thereto was reversed (the initial value of the provision was PLN 3.9 million). The total cost of the process was PLN 2.1 million. The reduction in employment will result in the fixed costs being decreased over subsequent years, starting from 2017. The employment restructuring process in the railway area of activities was accompanied with a simultaneous development of human potential in new areas of the Company's activities. In the first 6 months of 2017, Trakcja PRKiI employed nearly 140 people to respond to the needs of the growing activities on the road and power markets. More than half of them are engineering and technical staff and highly qualified specialists and operators of construction equipment and railway vehicles. The process of development and change in the structure of personnel, which focuses on increasing the technical and engineering human resources is continued on a regular basis.

In 2017, Trakcja Group expects to continue to pursue even further improvement in the Group's performance, guided by the following strategic principles:

- development through organic growth;
- implementation of the contract-orientated organisational structure;
- enhancement of effectiveness and efficiency through a better organisation of works, better use of synergies, and incentive schemes;
- improvement in cash flow management and reduction in debt,
- intensified use of its own resources during the performance of contracts;
- selective approach to the performance of contracts under consortium agreements.

Key success factors of Trakcja Group include both the incentive systems that encourage employees to seek further improvements in operational activities and the knowledge-sharing systems between the Group members.

Strengthening of position on the Polish railway market of construction and assembly services

In 2017 and subsequent years, the Management Board of Trakcja PRKiI expects to focus its operations on the Polish railway market of construction and assembly services and to strengthen its market position. This objective can be achieved thanks to the effective organisational and financial support for the tendering and contracting area and for the contract implementing area through the establishment of new units like the Production Preparation and Project Optimisation Department.

The superior goal in the financial management will be a more effective management of working capital. Its expected effects include better financial liquidity, minimisation of demand for working capital and maintenance of the Company's debt at a safe level.

Strengthening of the Group's position on other markets and diversification of the Group's activities

Trakcja Group takes measures that aim at strengthening its position on other geographical markets. In 2016, the Group opened establishments on Scandinavian and Bulgarian markets, and in the first half-year of 2017 it set up three companies and the parent company's establishment in Ukraine. The Group's Management Board believes that the aforementioned markets are promising, and therefore it intensifies measures aimed at further expansion on these markets. In addition, the Group operates in other infrastructure construction segments. In order to diversify its operations, the parent company carries out activities on Polish road and power markets, where it consistently improves its competences and enhances its capacities.

2. Present and forecast condition of Trakcja Group

2.1 Description of factors and events exerting a significant impact on the financial performance in the first half-year of 2017

2.1.1 Overview of the Income Statement

CONSOLIDATED PROFIT & LOSS ACCOUNT	1.01.2017 -	1.01.2016 -	Change	Change %
	30.06.2017	30.06.2016		
	Unaudited	Unaudited		
Sales revenues	537 648	478 829	58 819	12%
Cost of goods sold	(507 999)	(422 482)	(85 517)	20%
Gross profit on sales	29 649	56 347	(26 698)	-47%
Cost of sales, marketing and distribution	(2 974)	(3 312)	338	-10%
General and administrative costs	(23 062)	(29 238)	6 176	-21%
Other operating revenues	3 569	4 684	(1 115)	-24%
Other operating costs	(1 063)	(2 613)	1 550	-59%
Share of profit (losses) of joint venture	-	(684)	684	-100%
Operating profit	6 119	25 184	(19 065)	-76%
Financial revenues	1 965	2 277	(312)	-14%
Financial costs	(5 655)	(4 943)	(712)	14%
Gross profit	2 429	22 518	(20 089)	-89%
Income tax	(1 340)	(3 855)	2 515	-65%
Net profit for the period	1 089	18 663	(17 574)	-94%

In the first half-year of 2017, the Trakcja Group's sales revenues were PLN 537,648 thousand and increased by 12% as compared to the corresponding period of the preceding year. The cost of goods sold for the 6-month period of 2017 increased by 20% and was PLN 507,999 thousand.

In the first half-year of 2017, the gross profit on sales was PLN 29,649 thousand and decreased by 47% as compared to its balance in the comparable period. In the analysed period, the gross profit margin on sales was 5.5% and by 6.3 p.p. lower than in the corresponding period of 2017. The decrease in the gross profit margin on sales was caused mainly by the fact that the structure of the portfolio of contracts awarded to the Lithuanian members of the Group has changed. However, the change should be considered only temporary. In the first half-year of 2016, the Lithuanian companies implemented several large projects which enabled them to achieve economies of scale. In 2017, however, the average size of the road contract performed in Lithuania decreased significantly. Furthermore, the Lithuanian members of the Group did not perform any railway contracts due to the fact that no tenders for such contracts were launched. The Lithuanian member of the Group put much emphasis on the high standards for quality of work, timeliness, safety and technological innovations. As smaller contracts were still announced, competitors with lower fixed costs participated in tenders, which resulted in further pressure being put on the prices offered. New tenders are expected to be announced for large and significant contracts to be performed in the road and railway sectors in Lithuania. Then the high standards of the Lithuanian members of the Group should give them a competitive advantage and deliver the expected positive results.

The cost of sales, marketing and distribution was PLN 2,974 thousand. It was by 10% lower than in the comparable period. The general and administrative costs were PLN 23,062 thousand and decreased by 21% as compared to those incurred in the first half-year of 2016. The key factor due to which the general and administrative costs decreased was a decrease in remuneration of the management board members of the Lithuanian companies, which is mainly reliant on the profits generated by those entities.

The Group's other operating revenues for the 6-month period of 2017 were PLN 3,569 thousand and decreased by PLN 1,115 thousand, as compared to the corresponding period, primarily due to the recognition in the first half-year of 2017 of the gain on sale of the non-financial non-current assets in the amount lower by PLN 1,921 thousand. The Group's other operating costs were PLN 1,063 thousand and decreased by PLN 1,550 thousand in comparison with the first half-year of 2016.

The Group's operating profit was PLN 6,119 thousand and decreased by 76%, i.e. by PLN 19,065 thousand in comparison with the corresponding period of the preceding year, in which it amounted to PLN 25,184 thousand. The decrease in the operating profit results from the decrease in the gross profit margin on sales, the reasons for which have been provided above.

In the first half-year of 2017, the Group's financial revenues were PLN 1,965 thousand and decreased by 14% as compared to the corresponding period of the preceding year. The financial costs in the analysed period increased by 14% and were PLN 5,655 thousand. The increase resulted mainly from an increase in the interest costs.

In the period analysed, the Group's gross profit was PLN 2,429 thousand and decreased by PLN 20,089 thousand, i.e. by 89%, as compared to the gross profit for the first half-year of 2016.

The income tax for the first half-year of 2017 was PLN 1,340 thousand and decreased by PLN 2,515 thousand as compared to the corresponding period of the preceding year.

The Group's net profit for the first half-year of 2017 was PLN 1,089 thousand and decreased by PLN 17,574 thousand in comparison with the net profit for the first half-year of 2016.

In the first half-year of 2017, the net profit margin was 0.2%, whereas in the first half-year of 2016 it was 3.9%.

2.1.2 Overview of the Balance Sheet

The key items of the consolidated balance sheet of Trakcja Group as at June 30, 2017 in comparison with their balances as at December 31, 2016 are presented in the table below.

CONSOLIDATED ASSETS	30.06.2017 Unaudited	31.12.2016 Audited	Change	Change %
Non-current assets	736 228	721 725	14 503	2%
Tangible non-current assets	266 990	247 489	19 501	8%
Intangible assets	54 383	55 291	(908)	-2%
Goodwill from consolidation	330 162	337 855	(7 693)	-2%
Investment properties	20 961	21 226	(265)	-1%
Investments in other units	32	25	7	28%
Other financial assets	46 045	46 502	(457)	-1%
Deferred tax assets	9 576	10 707	(1 131)	-11%
Construction contracts and advances paid towards contracts being performed	296	-	296	-
Accruals	7 783	2 630	5 153	196%
Current assets	684 326	675 008	9 318	1%
Inventory	102 250	75 861	26 389	35%
Trade and other receivables	381 956	399 586	(17 630)	-4%
Income tax receivables	5 366	-	5 366	-
Other financial assets	8 277	8 660	(383)	-4%
Cash and cash equivalents	68 331	148 799	(80 468)	-54%
Accruals	11 225	6 019	5 206	86%
Construction contracts and advances paid towards contracts being performed	106 921	36 083	70 838	196%
Total assets	1 420 554	1 396 733	23 821	2%

As at June 30, 2017 the balance sheet total of Trakcja Group was PLN 1,420,554 thousand and increased by PLN 23,821 thousand, i.e. by 2%, in comparison with its balance as at the end of 2016.

As at June 30, 2017 the non-current assets were PLN 736,228 thousand and increased by PLN 14,503 thousand. The increase resulted mainly from an increase in the tangible non-current assets by PLN 19,501 thousand and from an increase in the accruals by PLN 5,153 thousand. The tangible non-current assets increased primarily due to the acquisition of assets.

As at June 30, 2017 the current assets were PLN 684,326 thousand and increased by PLN 9,318 thousand, i.e. by 1%, in comparison with the current assets as at December 31, 2016. The increase was caused mainly by an increase in the inventory by PLN 26,389 thousand and an increase in the construction contracts and advances paid towards contracts being performed by PLN 70,838 thousand. The cash and cash equivalents decreased by PLN 80,468 thousand.

CONSOLIDATED LIABILITIES	30.06.2017 Unaudited	31.12.2016 Audited	Change	Change %
Equity attributable to shareholders of parent entity	731 826	771 137	(39 311)	-5%
Share capital	41 120	41 120	-	0%
Share premium account	309 984	309 984	-	0%
Revaluation reserve	5 765	5 765	-	0%
Other capital reserves	361 981	332 659	29 322	9%
Retained earnings	917	54 685	(53 768)	-98%
Foreign exchange differences on translation of foreign	12 059	26 924	(14 865)	-55%
Non-controlling interests	4 576	4 830	(254)	-5%
Total equity	736 402	775 967	(39 565)	-5%
Total liabilities	684 152	620 766	63 386	10%
Long-term liabilities	136 013	153 550	(17 537)	-11%
Interest-bearing bank loans and borrowings	99 060	100 666	(1 606)	-2%
Provisions	17 826	27 650	(9 824)	-36%
Liabilities due to employee benefits	6 386	11 134	(4 748)	-43%
Provision for deferred tax	7 983	8 068	(85)	-1%
Detrivative financial instruments	4 693	5 957	(1 264)	-21%
Other financial liabilities	65	75	(10)	-13%
Short-term liabilities	548 139	467 216	80 923	17%
Interest-bearing bank loans and borrowings	25 328	22 003	3 325	15%
Trade and other liabilities	341 707	309 988	31 719	10%
Provisions	21 350	35 353	(14 003)	-40%
Liabilities due to employee benefits	13 940	11 424	2 516	22%
Income tax liabilities	-	4 922	(4 922)	-100%
Detrivative financial instruments	973	1 018	(45)	-4%
Accruals	376	361	15	4%
Construction contracts and advances received towards contracts being performed	143 979	80 432	63 547	79%
Advances received towards flats	486	1 715	(1 229)	-72%
Total equity and liabilities	1 420 554	1 396 733	23 821	2%

In the first half-year of 2017, the total equity decreased by PLN 39,565 thousand, in comparison with its balance as at December 31, 2016, and amounted to PLN 736,402 thousand as at June 30, 2017. The decrease was caused mainly by the dividends paid in the amount of PLN 25,700 thousand (in keeping with a resolution adopted by the General Meeting on June 27, 2017) and by a decrease in the foreign exchange differences arising from the conversion of foreign currencies by PLN 14,865 thousand.

As at June 30, 2017 the long-term liabilities were PLN 136,013 thousand and decreased by PLN 17,537 thousand (i.e. by 11%). The decrease resulted primarily from a decrease in the provisions as at June 30, 2017 as compared to their balance as at December 31, 2016.

As at June 30, 2017 the short-term liabilities were PLN 548,139 thousand and increased by PLN 80,923 thousand, i.e. by 17%, in comparison with their balance as at the end of the preceding year. The increase was mainly caused by an increase in the construction contracts and advances received towards contracts being performed, which are disclosed as part of the short-term liabilities, by PLN 63,547 thousand up to PLN 143,979 thousand. In the first half-year of 2017, the advances towards contracts being performed increased due to the fact that the parent company was awarded new contracts. The advances towards contracts being performed are disclosed as the short-term liabilities and will be settled during the performance of contracts as part of the Company's normal operating cycle. In addition, the trade and other liabilities increased by PLN 31,719 thousand up to PLN 341,707 thousand. The aforementioned changes were partially offset by a decrease in the short-term provisions by PLN 14,003 thousand, i.e. by 40%.

2.1.3 Overview of the Statement of Cash Flows

The key items of the consolidated statement of cash flows of Trakcja Group for the period ended June 30, 2017 and for the period ended June 30, 2016 are presented in the table below.

CONSOLIDATED CASH FLOW ACCOUNT	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016	Change	Change %
	Unaudited	Unaudited		
Cash at start of period	146 360	251 317	(104 957)	-42%
Net cash flows from operating activities	(47 780)	(196 325)	148 545	-76%
Net cash flows from investment activities	(19 485)	(708)	(18 777)	2652%
Net cash flows from financial activities	(10 776)	(11 910)	1 134	-10%
Total net cash flows	(78 041)	(208 943)	130 902	-63%
Cash at end of period	68 319	42 374	25 945	61%

In the first half-year of 2017, the net cash flows from operating activities were negative and amounted to PLN -47,780 thousand. Their balance increased as compared to the corresponding period of the previous year by PLN 148,545 thousand. In the first half-year of 2017, the net cash flows from investment activities were negative and amounted to PLN -19,485 thousand, i.e. they decreased by PLN 18,777 thousand. In the first half-year of 2017, the net cash flows from financial activities were negative and amounted to PLN -10,776 thousand. As compared to their balance as at the end of the first half-year of 2016, they increased by PLN 1,134 thousand.

The cash at start of 2017 was PLN 146,360 thousand, whereas the cash at end of period (June 30, 2017) was PLN 68,319 thousand as disclosed in the consolidated statement of cash flows. In the period analysed, the total net cash flows were negative and amounted to PLN -78,041 thousand.

2.1.4 Overview of profitability ratios

The profitability of sales ratios illustrates a relation between sales and costs and their impact on a profit. Their level determines the ability to generate profits through sales.

The profitability ratios in the first half-year of 2017 were lower than those in the first half-year of 2016.

In the first half-year of 2017, the gross profit margin on sales decreased by 6.3 p.p., as compared to the corresponding period of the preceding year, and was 5.5%. The decrease in the gross profit margin on sales was caused mainly by the fact that the structure of the portfolio of contracts awarded to the Lithuanian members of the Group has changed. The decrease is described in detail in pt. 2.1.1 hereof. The operating profit increased by amortisation and depreciation (EBITDA) was PLN 20,465 thousand and decreased by PLN 16,140 thousand in comparison to its balance in the first half-year of 2016. The EBITDA profit margin decreased by 3.8 p.p. down to 3.8%. The operating profit margin decreased by 4.2 p.p. down to 1.1%. In the period analysed, the net profit margin was 0.2% and decreased by 3.7 p.p. as compared to the net profit margin in the comparable period.

The return on equity (ROE) decreased by 2.4 p.p. as compared to the comparable period and was 0.1%. The return on assets (ROA) was 0.1% and decreased by 1.3 p.p. in comparison to the analogous ratio in the previous year.

PROFITABILITY RATIOS	1.01.2017 - 30.06.2017	1.01.2016 - 30.06.2016	Change
	Unaudited	Unaudited	
Gross sales profit margin	5,5%	11,8%	-6,3%
EBITDA	20 465	36 605	- 16 140
EBITDA profit margin	3,8%	7,6%	-3,8%
Operating profit margin	1,1%	5,3%	-4,2%
Net profit margin	0,2%	3,9%	-3,7%
Return on equity (ROE)	0,1%	2,5%	-2,4%
Return on assets (ROA)	0,1%	1,4%	-1,3%

The ratios are calculated according to the following formulas:

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

EBITDA = operating profit + amortisation and depreciation

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

Operating profit margin = operating profit / sales revenues

Net profit margin = net profit / sales revenues

Return on equity (ROE) = net profit attributable to shareholders in the parent company / average equity attributable to shareholders in the parent company in the 6-month period

Return on assets (ROA) = net profit attributable to shareholders in the parent company / average assets in the 6-month period

2.2 Assessment of financial resources management

As at the end of the first half-year of 2017 Trakcja Group had cash in the amount of PLN 68,331 thousand and its total debt (loans, borrowings and finance lease) were PLN 124,388 thousand. In the opinion of the Management Board, the Group maintains both the external debt and the financial liquidity at a safe level.

2.2.1 Liquidity ratios

As at June 30, 2017 the Trakcja Group's working capital was PLN 136,563 thousand and decreased by PLN 71,590 thousand in comparison with its working capital as at the end of 2016.

As at June 30, 2017 the liquidity ratios are satisfactory and provide for the Group's financial stability.

As at the end of the first half-year of 2017 the current ratio was 1.25 and decreased by 0.19 as compared to its value as at December 31, 2016. The quick ratio was 0.85 and decreased by 0.34 in comparison with its value as at the end of 2016. The cash ratio demonstrates that the Group would be able to immediately repay 12% of its short-term liabilities, which means a decrease by 20 p.p.

LIQUIDITY RATIOS	30.06.2017 Unaudited	31.12.2016 Audited	Change
Working capital	136 563	208 153	-71 590
Current ratio	1,25	1,44	-0,19
Quick ratio	0,85	1,19	-0,34
Cash ratio	0,12	0,32	-0,20

The aforementioned ratios are calculated according to the following formulas:

Working capital = current assets – short-term liabilities + accruals

Current ratio = current assets / short-term liabilities

Quick ratio = (current assets – inventory – accruals – construction contracts and advances paid towards contracts being performed) / short-term liabilities

Cash ratio = cash and cash equivalents / short-term liabilities

2.2.2 Financing structure ratios

The Group monitors the capital structure using the financing structure. The ratios analysed by the Group, presented in the below table, allow for the good credit rating to be maintained and confirm that the Group's capital structure supports its operating activities.

As at June 30, 2017 the equity to assets ratio was 0.52. The equity to non-current assets ratio decreased from 1.07 as at the end of 2016 to 0.99 as at June 30, 2017. As at the end of the first half-year of 2017, the debt ratio was 0.48. That means that the Group's assets are financed in 48% by its debt (liabilities). The debt to equity ratio increased from 0.81 as at the end of 2016 to 0.94 as at the end of the first half-year of 2017.

FINANCING STRUCTURE RATIOS	30.06.2017 Unaudited	31.12.2016 Audited	Change
Equity to assets ratio	0,52	0,55	-0,03
Equity to non-current assets ratio	0,99	1,07	-0,08
Debt ratio	0,48	0,45	0,03
Debt to equity ratio	0,94	0,81	0,13

The aforementioned ratios are calculated according to the following formulas:

Equity to assets ratio = equity attributable to shareholders in the parent company / total assets

Equity to non-current assets ratio = equity attributable to shareholders in the parent company / non-current assets

Debt ratio = (total assets – equity attributable to shareholders in the parent company) / total assets

Debt to equity ratio = (total assets – equity attributable to shareholders in the parent company) / equity attributable to shareholders in the parent company

Trakcja Group conducts extensive cooperation with banks and insurance institutions in order to ensure the relevant level of financing and the bank and insurance guarantees that enable it to perform the expected construction contracts.

As at June 30, 2017 the debt incurred by the Trakcja Group members in the form of loans, borrowings and other external funding sources, including finance lease, was PLN 124,388 thousand. In the construction industry, the working capital requirements are the highest in the second and third quarters. As at June 30, 2017 the Group members has at their disposal an overdraft limit and a working capital loan limit up to the total amount of PLN 176 million, which provides the Trakcja Group companies with a stable level of financing for its ongoing contract activities.

The Group uses various bank products and funding sources (overdrafts, investment loans, factoring, and finance lease) in order to minimise its financial costs and optimise its financial liquidity management.

The Group has contracted such guarantees as deposit security guarantees, advance payment guarantees, performance guarantees and retention bonds in the guarantee period, as well as payment guarantees. As at June 30, 2017 the total available guarantee limit was PLN 873 million. As at June 30, 2017 the guarantees granted totalled PLN 722.8 million. The guarantee limit, whose availability is ensured by the Group and which is necessary for the contracts to be awarded and performed by the Group, is the Group's key competitive advantage on the infrastructure construction market.

2.2.3 Loans and borrowings

As at June 30, 2017 the loans and borrowings granted to Trakcja Group were as follows:

Company name	Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Trakcja PRKiI S.A.	mLeasing	investment loan	22 400	PLN	16.09.2019	WIBOR 1M + margin	11 032
Trakcja PRKiI S.A.	mBank S.A.	investment loan	21 500	PLN	30.09.2021	WIBOR 1M + margin	21 500
Trakcja PRKiI S.A.	mBank S.A.	overdraft	20 000	PLN	26.04.2018	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	mBank S.A.	working capital	50 000	PLN	27.09.2019	WIBOR 1M + margin	-
Trakcja PRKiI S.A.	Pekao S.A.	overdraft	20 000	PLN	31.05.2018	WIBOR 1M + margin	-
Bahn Technik Wrocław Sp. z o.o.	ING Bank Śląski S.A.	overdraft	2 500	PLN	30.11.2017	WIBOR 1M + margin	-
Bahn Technik Wrocław Sp. z o.o.	Bank Zachodni WBK S.A.	overdraft	2 500	PLN	18.08.2017	WIBOR 1M + margin	-
Bahn Technik Wrocław Sp. z o.o.	ING Bank Śląski S.A.	investment loan	1 747	PLN	30.11.2018	WIBOR 1M + margin	795
Bahn Technik Wrocław Sp. z o.o.	Plasser & Theurer, Export von Bahnbaumaschinen, Gesellschaft m.b.H.	investment loan	1 800	EUR	24.03.2020	fixed interest rate	6 974
Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o.	mBank S.A.	investment loan	2 500	PLN	30.12.2020	WIBOR 1M + margin	2 442
AB Kauno Tiltai	Nordea Dnb	working capital	14 000	EUR	31.08.2018	EURIBOR 3M + margin	-
AB Kauno Tiltai	Nordea	working capital	3 000	EUR	31.08.2018	EURIBOR 1M + margin	1 272
AB Kauno Tiltai	Dnb	working capital	3 000	EUR	31.08.2018	EURIBOR 3M + margin	1 396
AB Kauno Tiltai	Nordea Dnb	working capital	1 400	EUR	14.01.2020	EURIBOR 3M + margin	4 869
UAB Palangos aplinkkelis	SEB Bank	project purpose loans	8 500	EUR	31.05.2028	EURIBOR 3M + margin	33 582
UAB Pletros investicijos	Šiaulių plentas UAB	other unit loan	363	EUR	31.12.2028	fixed interest rate	1 156
Total							85 018

The interest rate of the loans received is the WIBOR/EURIBOR rate plus a bank margin. Bank margins differ from bank to bank and according to date of loan repayment.

As at June 30, 2017 the total loans and borrowings granted to the Group were PLN 85,018 thousand, including the investment loans in the amount of PLN 42,743 thousand, the working capital loans in the amount of PLN 7,537 thousand, the project purpose loans in the amount of PLN 33,582 thousand and the borrowings from third parties in the amount of PLN 1,156 thousand.

In addition, the overdraft and working capital loan limits in the total amount of PLN 176 million were available to the Group as at June 30, 2017.

2.2.4 Hedging transactions

Cash flow hedging instruments, to which the Group applies hedge accounting

Polish companies of Trakcja Group do not apply any hedge accounting, but the Lithuanian part of Trakcja Group, namely AB Kauno Tiltai - AB Kauno Tiltai and UAB Palangos aplinkkelis follow the principles thereof.

On June 5, 2013 one of the Group members, i.e. UAB Palangos aplinkkelis made an interest rate swap (IRS) transaction in order to hedge future cash flows expected to arise from interest to be paid on the term loan. Pursuant to the agreement, the company is a payee of amounts at a fixed rate, whereas the bank is a payee of amounts at a variable rate. The hedging relationship is set to expire on May 31, 2028.

On October 8, 2015 and October 14, 2015 one of the Issuer's subsidiaries, i.e. AB Kauno Tiltai made two interest rate swap (IRS) transactions in order to hedge future cash flows expected to arise from interest to be paid on the term loan. Pursuant to the agreement, the company is a payee of amounts at a fixed rate, whereas the bank is a payee of amounts at a variable rate. The hedging relationships are set to expire on January 14, 2020.

Fair value of the IRS contracts is calculated as the present value of future cash flows estimated using the yield curves. In the first half-year of 2017, the measurement method remained unchanged.

As at June 30, 2017 the loss from remeasuring the aforementioned hedging instruments was PLN 1,310 thousand, whereas the gain recognised in other comprehensive income was PLN 855 thousand.

In the first half-year of 2017, the Group assessed the hedge effectiveness of the IRS transactions. In the reporting period, the hedge of the interest rate fluctuations was highly effective, and therefore no ineffective part thereof was identified or recognised in profit or loss.

Other derivatives

In the reporting period, the Group did not enter into either any new interest rate swap (IRS) contracts or any derivative contracts for speculation purposes. Except for the aforementioned IRS instruments, the Group did not apply any hedge accounting in the period subject hereto, and therefore the Group is not a party to any other derivative contracts in the scope covered hereby and no financial derivatives measured at fair value were recognised in profit or loss.

The Group categorises financial derivatives within Level 2 of the fair value hierarchy. In the first half-year of 2017, there were no transfers made between Levels 1, 2 and 3. The level categories are described in detail in Note 38 to the Consolidated Financial Statements for the 6-month period of 2017.

2.3 The Management Board's position as regards previously published forecasts of the Trakcja Group's financial performance

Trakcja Group did not publish any financial forecast for 2017.

2.4 Events subsequent to the balance sheet date

In the period between the balance sheet date and the preparation date hereof, i.e. August 30, 2017, the following significant events occurred:

On July 19, 2017 the Parent Company paid dividends in the amount of PLN 25,700 thousand, i.e. PLN 0.50 per share, pursuant to a resolution adopted by the Annual General Meeting on June 27, 2017.

On August 16, 2017 the Parent Company and PKP PLK S.A. concluded the agreement for design and completion of construction works on the railway line E20 Siedlce – Terespol as part of the project "Works on the railway line E20, at the section Siedlce – Terespol, PHASE III – LCS Terespol". The agreement's net value is PLN 417.5 million. Works are to be completed within 36 months of their commencement. The aforementioned information was published in Current Report No. 15/2017 dated August 16, 2017.

2.5 Indication of factors which, in the opinion of the Group, will have an impact on its performance during at least the following half-year

The key factors which, in the opinion of the Management Board, have now or may have in the nearest future an impact on the Group's activities are presented below.

The most important factors that have a significant impact on the financial performance of the Group include the following:

- The ability to win new construction contracts, which on account of the profile of the Group's activities is determined by expenditures on the railway and tramway infrastructure in Poland. In the first half-year of 2017, due to the suspension of new railway tenders on the Lithuanian market, the Group was unable to have new contracts awarded in that segment. Despite the increasing pressure being put on the margins on the Polish railway infrastructure market, the Group is and will be able, as in the past, to maintain its margins on a satisfactory level.
- The accuracy of the project cost estimates, as it exerts a direct impact on the decisions regarding the participation in tenders, the valuation of contracts for tenders and as a result the margins on the contracts. The accuracy of the contract cost budget estimates, which, in turn, depends on both methodological and external factors such as changes in prices for materials and services rendered by subcontractors.
- The Central Bank's monetary policy reflected in the interest rate changes. For the purpose of financing the acquisitions planned, the Group may take out bank loans, and therefore it may incur financial expenses determined by the interest rate levels.
- The timeliness in repayment of liabilities by customers. A failure to do so by customers may lead to the deterioration in the Group's financial liquidity.
- The increasing pressure on margins.
- The launch of a large number of railway tenders on Polish market at the beginning of 2017.
- A decrease in the number of entities participating in tenders on the Polish railway market.
- Further diversification of activities by way of increasing the Group's operations in the road segment.

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

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

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

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

2.6 Information relevant for the assessment of the Group's employment, assets, financial condition and performance and any changes therein, as well as information relevant for the assessment of the Group's ability to meet its obligations

On June 3, 2017 the parent company adopted the new remuneration regulations. Numerous incentive systems have been implemented which are intended for all the employee groups and which aim at enhancing the work efficiency and rationalising the employment costs. Other key changes in the regulations involve the reduction in the costs of jubilee bonuses and retirement allowances by half and their complete liquidation after 5 years. The Company continued to further optimise the organisational structure and implement the improved procedures. Their goal is to enhance the competitiveness and to ensure a sustainable development in new segments, namely in the road and energy sectors. In that respect, the Company applies a modern approach which consists in developing contract structures and specialised support teams, which are complementary for such structures, with clearly defined competences. In addition, following the rapidly changing market conditions, the job position classification system has been modernised in such a way as to be orientated towards the contract activities, due to which the Group will seek to improve its performance.

No information relevant for the assessment of the Group's employment, assets, financial condition and performance and any changes therein or no information relevant for the assessment of the Group's ability to meet its obligations is available other than that presented in the condensed consolidated financial statements and in this Report on the Activities of the Group for the first half-year of 2017.

3. Information on shareholders and shares

3.1 Shareholders

As at the publication hereof, the shareholders that hold directly or through subsidiaries at least 5% of the total number of votes at the Annual General Meeting ("AGM") of Trakcja PRKiI S.A., in accordance with the notifications referred to in Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, were as follows:

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	15 843 193	30,82%	15 843 193	30,82%
Nationale-Nederlanden OFE	5 111 908	9,95%	5 111 908	9,95%
OFE PZU "Złota Jesień"	4 349 650	8,46%	4 349 650	8,46%
Other shareholders	26 094 797	50,77%	26 094 797	50,77%
Total	51 399 548	100,00%	51 399 548	100,00%

The shareholdership of TRAKCJA PRKiI S.A. determined in accordance with the notification received (see above) differs from the shareholdership determined in accordance with the list of shareholders present on the most recent Annual General Meeting.

The shareholders that hold at least 5% of the total number of votes, present at the Annual General Meeting held on June 27, 2017 were as follows:

Shareholders	Number of shares	% in votes at GSM	% in votes
COMSA S.A.	15 843 193	51,33%	30,82%
Nationale-Nederlanden OFE	4 890 000	15,84%	9,51%
OFE PZU "Złota Jesień"	4 839 000	15,68%	9,41%
AVIVA OFE AVIVA BZ WBK	2 569 000	8,32%	5,00%
Other shares	23 258 355	8,83%	45,26%
Total	51 399 548	100,00%	100,00%

Since the release of the most recent current report, i.e. since May 16, 2017 the parent company has not received any notifications from its shareholders informing it about a change in the total number of votes in the parent company.

3.2 Shares of Trakcja PRKiL S.A. held by members of the management and supervisory bodies

Since the publication of the most recent quarterly report, i.e. since May 16, 2017 there have been no changes in the number of shares in the parent company held by members of the management and supervision bodies.

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

4. Transactions with related entities

In the first half-year of 2017, all the transactions between the Group members were made at arm's length. Information on the transactions between the Group members is presented in Note 49 to the Condensed Consolidated Financial Statements.

5. Information on sureties for loans or borrowings and on guarantees granted by the Issuer or its subsidiary

In the first half-year of 2017, neither the Issuer nor its subsidiaries did grant any sureties for loans or borrowings or any guarantees to any entity or its subsidiary, the total of which would constitute an equivalent of at least 10% of the Issuer's equity.

6. Significant court cases and disputes

The Parent Company notifies that the total value of the proceedings concerning the Company's claims is PLN 61,547,185.80 and that the total value of proceedings concerning the Company's liabilities is PLN 3,596,471.53.

In the first half-year of 2017, the Company was a party to the proceedings whose value separately constituted an equivalent of at least 10% of the equity of Trakcja PRKiL S.A.:

The case concerning summons to a conciliatory settlement regarding reimbursement of fixed costs incurred in two extension periods for the performance of the contract, filed against PKP PLK S.A. by the Consortium that comprises Trakcja PRKiL S.A. and Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie sp. z o. o.

On December 2, 2016 the Parent Company and Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. applied for summons to a conciliatory settlement against PKP PLK S.A. for payment of PLN 65,848,167.00 due to the extension of the completion date of the contract named: "Design and completion of construction works on the railway line Kraków - Medyka - State border, at the section Podłęże - Bochnia, km 16,000 - 39,000 as part of the Project "Modernisation of the railway line E 30/C-E30, section Kraków - Rzeszów, phase III". The Company's claims are estimated to be approx. PLN 25 million. No settlement was reached. The Company will file a lawsuit and seek payment of its amounts due.

Other proceedings concerning claims:

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

The Parent Company 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 PRKiL S.A. in Warsaw. In connection with the announcement by the District Court of Warsaw-Praga Północ in Warsaw of the bankruptcy of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (hereinafter referred to as the "PNI") with an option of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław provided a submission of claims dated November 20, 2012 to the bankruptcy court. The submission covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the declaration of bankruptcy, as well as the accrued contractual penalties.

To the Parent Company's best knowledge, the list of claims towards PNI was drawn up. The claims of Trakcja PRKiL S.A. were recognised in the amount of PLN 10,569,163.16, including PLN 10,274,533.87 for unpaid invoices and PLN 294,632.29 for interest on delay in payment. The Company's receivables from contractual penalties and other claims in the total amount of PLN 44,956,834.35 were dismissed. The Parent Company did not agree with that dismissal; therefore, an objection was submitted to the judge commissioner concerning the dismissal in the aforementioned scope. The court had rejected the objection; therefore the Company filed a complaint which was overruled. On June 8, 2015 the Company received a notice from the trustee in bankruptcy on the change in the bankruptcy procedure

from the arrangement bankruptcy to the liquidation bankruptcy. The case is pending and its resolution date is difficult to predict.

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

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

The most significant proceedings concerning liabilities:

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

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

Other proceedings:

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

PRK 7 Nieruchomości Sp. z o.o.

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

AB Kauno Tiltai

The investor, AB Lietuvos geležinkeliai, filed a lawsuit against the Consortium, of which a subsidiary, AB Kauno Tiltai, is a member, for a total amount of PLN 63,353,359.83 (EUR 14,989,556.33). The investor brought a claim against AB Kauno Tiltai concerning the contractual penalty for delay in the performance of works. The share of Trakcja Group in liabilities (if any) that may arise from these proceedings is 65%. With regard to the proceedings, an expertise has been carried out until now. As a result of the analysis of risks related to the pending court proceedings, the Group established a provision regarding the proceedings in 2015. As at June 30, 2017 the Group decided to keep the provision unchanged in the amount set since December 31, 2016. The Group refrained from making any other disclosures related to this court case by invoking clause 92 of IAS 37.

7. Description of basic threats and risks related to the remaining six months of the financial year

The factors that may have a significant adverse impact on the Group's financial condition during the period no shorter than the following six months:

- Risk of growing competition,
- Risk of changes in the strategy of the Polish and Lithuanian authorities with regard to the modernisation of infrastructure over the next few years,
- Risk of being dependent on key customers,
- Risk of a potential loss of subcontractors and a potential rise in prices for services rendered by subcontractors,
- Risk associated with the lack of qualified employees,
- Currency risk,
- Risk associated with the volatility of prices for materials,

- Risk associated with the joint and several liability of the construction consortia members and with the liability for subcontractors,
- Risk related to potential penalties for failure to complete contracts,
- Risk of underestimating the project costs,
- Risk of completing the construction contracts,
- Risk associated with the conditions and procedures for awarding tenders and with the completion of projects,
- Risk of growing a portfolio of overdue receivables,
- Risk related to financial agreements,
- Liquidity risk,
- Risk of implementing the strategy.

Warsaw, August 30, 2017

Management Board:

Jarosław Tomaszewski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

MANAGEMENT BOARD'S STATEMENT

To the best of our knowledge, the condensed consolidated half-yearly financial statements of Trakcja Capital Group for the period from January 1, 2017 to June 30, 2017 and the comparable data for the period from January 1, 2016 to June 30, 2016 have been prepared in compliance with the accounting principles in force and reflect the Group's assets and financial condition as well as its financial performance in a true, reliable and clear manner. The report of the Management Board on the activities of Trakcja Capital Group presents a true picture of the Group's development, achievements, risks, threats and condition.

We also state that the entity authorised to audit the financial statements which examines the condensed consolidated half-yearly financial statements of Trakcja Capital Group for the 6-month period ended June 30, 2017, namely Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k., has been appointed in accordance with the provisions of law. The aforementioned entity and the statutory auditors who conduct the audit meet the requirements for expressing an unbiased and independent opinion about the audit conducted, as required in accordance with the applicable provisions of law and professional standards.

Jarosław Tomaszewski

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Marek Kacprzak

Vice-President of the Management Board

Warsaw, August 30, 2017

AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed financial statements of Trakcja PRKiI S.A. with its registered office in Warsaw at Złota 59, comprising the balance sheet prepared as at 30 June 2017, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows for the 6-month period then ended and other explanatory information.

Management Board of the Company is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union with respect to interim financial reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with National Auditing Standard 2410 in line with the wording of the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" adopted by Resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 as amended.

A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim condensed financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements were not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Auditor conducting the review on behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. - entity entered under number 73 on the list of auditors kept by the National Council of Statutory Auditors.

Maciej Krasoń
Key certified auditor
No. 10149

Warsaw, 30 August 2017

The above review 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.

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District Court for the city of Warsaw, XII Business Division of the National Court Register, KRS No. 0000446833, NIP: 527-020-07-86, REGON: 010076870

AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Trakcja PRKiI Capital Group (hereinafter: the "Capital Group"), for which Trakcja PRKiI S.A. with its registered office in Warsaw at Złota 59 is the Parent (hereinafter: the "Parent"), comprising the consolidated balance sheet prepared as at 30 June 2017, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the 6-month period then ended and other explanatory information.

Management Board of the Parent is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union with respect to interim financial reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with National Auditing Standard 2410 in line with the wording of the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" adopted by Resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 as amended.

A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements were not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Auditor conducting the review on behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. - entity entered under number 73 on the list of auditors kept by the National Council of Statutory Auditors.

Maciej Krasoń
Key certified auditor
No. 10149

Warsaw, 30 August 2017

The above review 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.