



TRAKCJA CAPITAL GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE PERIOD OF 3 MONTHS ENDED ON 31 MARCH 2016

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

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

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- V. Additional information and explanations to the condensed financial statements

APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

The Management Board of Trakcja PRKił S.A. has approved the condensed consolidated financial statement of Trakcja Capital Group for the 3-month period ended on March 31, 2016.

The condensed consolidated financial statement for the I quarter of 2016 was prepared according to the International Financial Reporting Standards (IFRS) approved by the European Union applicable to interim reporting (MSR 34). Information included herein is presented in the following sequence:

1. Consolidated profit and loss account for the period from January 1, 2016 to March 31, 2016, showing a net profit of **PLN 498** thousand.
2. Consolidated statement of comprehensive income for the period from January 1, 2016 to March 31, 2016, showing the total negative comprehensive income of **PLN 384** thousand.
3. Consolidated balance sheet prepared as at March 31, 2016, showing total assets and total equity and liabilities of **PLN 1 201 839** thousand.
4. Consolidated cash flow statement for the period from January 1, 2016 to March 31, 2016, showing a decrease in the cash balance by the amount of **PLN 158 182** thousand.
5. Statement of changes in consolidated equity for the period from January 1, 2016 to March 31, 2016, showing an decrease in consolidated equity by the amount of **PLN 369** thousand.
6. Additional information and explanations.

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

Jarosław Tomaszewski

President of the Board

Nerijus Eidukevičius

Vice President of the Board

Marek Kacprzak

Vice President of the Board

Paweł Nogalski

Vice President of the Board

Sławomir Raczyński

Vice President of the Board

Warsaw, May 16, 2016

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I. SELECTED FINANCIAL DATA OF THE TRAKCJA CAPITAL GROUP

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
31.03.2016 r.	4,3559	4,2445	4,4987	4,2684
31.12.2015 r.	4,1848	3,9822	4,3580	4,2615
31.03.2015 r.	4,1489	4,0886	4,3335	4,0890

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

Main consolidated balance sheet items converted into euro:

	31.03.2016		31.12.2015	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	706 217	165 452	704 278	165 265
Current assets	495 622	116 114	623 143	146 226
Total assets	1 201 839	281 566	1 327 421	311 491
Equity	725 922	170 069	726 291	170 431
Long-term liabilities	139 348	32 646	141 974	33 315
Short-term liabilities	336 569	78 851	459 156	107 745
Total equity and liabilities	1 201 839	281 566	1 327 421	311 491

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

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

	For the period 3 months ended 31.03.2016		For the period 3 months ended 31.03.2015	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	140 216	32 190	230 511	55 560
Cost of goods sold	(123 663)	(28 390)	(208 128)	(50 165)
Gross profit (loss) on sales	16 553	3 800	22 383	5 395
Operating profit (loss)	1 512	347	3 133	755
Gross profit (loss)	782	180	2 434	587
Net profit (loss) from continued operations	498	114	1 543	372
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	498	114	1 543	372

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

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

	For the period 3 months ended 31.03.2016		For the period 3 months ended 31.03.2015	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(154 789)	(35 535)	51 309	12 367
Cash flows from investment activities	3 037	697	(3 908)	(942)
Cash flows from financial activities	(6 430)	(1 476)	(64 726)	(15 601)
Total net cash flows	(158 182)	(36 314)	(17 325)	(4 176)

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

	31.03.2016		31.03.2015	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	251 317	58 974	57 638	13 523
Cash at end of period	93 135	21 820	40 313	9 859

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

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

As at the last day of the financial year ended 31 December 2014, the FX rate was 4,2623 PLN/EUR.

II. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS STATEMENT

	1.01.2016 - 31.03.2016	1.01.2015 - 31.03.2015
	<i>Unaudited</i>	<i>Unaudited</i>
Continued operations		
Sales revenue	140 216	230 511
Cost of goods sold	(123 663)	(208 128)
Gross profit on sales	16 553	22 383
Cost of sales, marketing and distribution	(1 715)	(2 447)
General and administrative costs	(13 216)	(16 149)
Other operating revenues	2 249	835
Other operating costs	(1 337)	(1 113)
Share of profit (losses) of joint venture	(1 022)	(376)
Operating profit	1 512	3 133
Financial revenues	1 244	1 956
Financial costs	(1 974)	(2 655)
Gross profit	782	2 434
Income tax	(284)	(891)
Net profit from continued operation	498	1 543
Discontinued operations		
Net profit (loss) from discontinued operations	-	-
Net profit for the period	498	1 543
Attributable to:		
Shareholders of parent entity	417	1 483
Non-controlling interests	81	60
Profit (Loss) per share (PLN per share)		
- basic	0,01	0,03
- diluted	0,01	0,03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.01.2016 - 31.03.2016	1.01.2015 - 31.03.2015
	<i>Unaudited</i>	<i>Unaudited</i>
Net profit for the period	498	1 543
Other comprehensive income:		
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	(4)	(309)
Actuarial gains/(losses)	(4)	(309)
Other comprehensive income that will be reclassified to profit or loss:	(878)	(11 789)
Foreign exchange differences on translation of foreign operations	514	(10 736)
Cash flow hedging instruments	(1 392)	(1 053)
Total other comprehensive income	(882)	(12 098)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(384)	(10 555)
Attributable to:		
Shareholders of Parent entity	(103)	(10 258)
Non-controlling interests	(281)	(297)

CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.03.2016	31.12.2015
		<i>Unaudited</i>	<i>Audited</i>
Non-current assets		706 217	704 278
Tangible non-current assets	25	196 361	194 232
Intangible assets	25	56 387	56 603
Goodwill from consolidation		334 987	334 718
Investment properties		21 976	21 976
Investments in joint ventures	26	13 117	14 140
Investments in other units		25	25
Other financial assets		45 427	45 564
Deferred tax assets	22	32 119	30 779
Construction contracts		3 116	2 527
Prepayments		2 702	3 714
Current assets		495 622	623 143
Inventory		104 242	84 828
Trade and other receivables		256 830	246 864
Other financial assets		9 068	14 830
Cash and cash equivalents		93 407	251 435
Prepayments		9 838	8 961
Construction contracts		22 237	16 225
Total assets		1 201 839	1 327 421
EQUITY AND LIABILITIES			
Equity attributable to shareholders of parent entity		722 253	722 341
Share capital		41 120	41 120
Share premium		309 984	309 984
Revaluation reserve		6 178	6 178
Other capital reserves		348 981	299 785
Retained earnings		417	50 203
Foreign exchange differences on translation of foreign operations		15 573	15 071
Non-controlling interests		3 669	3 950
Total equity		725 922	726 291
Long-term liabilities		139 348	141 974
Interest-bearing loans and borrowings		87 087	89 494
Provisions	24	7 063	9 202
Liabilities due to employee benefits		10 788	11 737
Provision for deferred tax	22	27 858	26 613
Derivative financial instruments		6 471	4 862
Other financial liabilities		81	66
Short-term liabilities		336 569	459 156
Interest-bearing loans and borrowings		22 010	21 625
Trade and other liabilities		189 983	288 100
Provisions	24	23 933	23 690
Liabilities due to employee benefits		10 220	10 894
Income tax liabilities		292	5 167
Derivative financial instruments		983	981
Other financial liabilities		-	148
Accruals		276	219
Construction contracts		88 621	108 223
Advances received towards flats		251	109
Total equity and liabilities		1 201 839	1 327 421

CONSOLIDATED STATEMENT OF CASH FLOW

	Note	1.01.2016 - 31.03.2016	1.01.2015 - 31.03.2015
		Unaudited	Unaudited
Cash flows from operating activities			
Gross profit from continued operations		782	2 434
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		(155 571)	48 875
Depreciation		5 532	6 069
FX differences		23	(652)
Net interest and dividends		1 169	2 144
Profit on investment activities		(2 086)	(1 265)
Share of profits (losses) of joint venture		1 022	376
Change in receivables		(9 216)	147 805
Change in inventory		(19 476)	(4 179)
Change in liabilities, excluding loans and borrowings		(101 694)	(124 670)
Change in prepayments and accruals		(634)	(4 960)
Change in provisions		(1 626)	537
Change in construction contracts		(26 515)	36 310
Change in financial derivatives		1 613	1 240
Income tax paid		(4 509)	(7 769)
Other		(865)	(1 490)
Foreign exchange differences on translation of foreign operations		1 691	(648)
Net cash flows from operating activities		(154 789)	51 309
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(3 899)	(5 978)
- acquisition		(5 518)	(7 600)
- sale		1 619	1 622
Financial assets		6 871	(172)
- sold or repaid		7 537	2 828
- granted or acquired		(666)	(3 000)
Loans		-	1 948
- repaid		-	1 948
- granted		-	-
Interest received		65	294
Net cash flows from investment activities		3 037	(3 908)
Cash flows from financial activities			
Proceeds on account of taken borrowings and loans		-	65 475
Repayment of borrowings and loans		(2 179)	(88 777)
Interest paid		(1 187)	(1 672)
Payment of liabilities under financial lease agreements		(2 906)	(1 414)
Inflows (outflows) income from other financial liabilities		(158)	(38 338)
Net cash flows from financial activities		(6 430)	(64 726)
Total net cash flows		(158 182)	(17 325)
Net FX differences		-	-
Cash at start of period		251 317	57 638
Cash at end of period	29	93 135	40 313
- with limited access		926	930

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of Parent entity						Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Revaluation reserve	Other reserve capitals							
				Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
Unaudited											
As at 1.01.2016	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2016 after adjustments	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291
Net profit for the period	-	-	-	-	-	-	-	417	417	81	498
Other comprehensive income	-	-	-	(1 026)	5	-	501	-	(520)	(362)	(882)
Distribution of profit	-	-	-	-	-	50 203	-	(50 203)	-	-	-
Other	-	-	-	-	-	15	-	-	15	-	15
As at 31.03.2016	41 120	309 984	6 178	(4 624)	(1 358)	354 964	15 572	417	722 253	3 669	725 922

	Equity attributable to shareholders of Parent entity						Foreign exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Revaluation reserve	Other reserve capitals							
				Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
Unaudited											
As at 1.01.2015	41 120	309 984	6 790	(3 994)	(4 744)	257 996	15 221	49 537	671 910	2 593	674 503
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2015 after adjustments	41 120	309 984	6 790	(3 994)	(4 744)	257 996	15 221	49 537	671 910	2 593	674 503
Net profit for the period	-	-	-	-	-	-	-	1 483	1 483	60	1 543
Other comprehensive income	-	-	-	(776)	(309)	-	(10 656)	-	(11 741)	(357)	(12 098)
Distribution of profit	-	-	-	-	-	49 537	-	(49 537)	-	-	-
Transfer within equity	-	-	(594)	-	-	594	-	-	-	-	-
Other	-	-	-	-	-	207	-	-	207	(4)	203
AS at 31.03.2015	41 120	309 984	6 196	(4 770)	(5 053)	308 334	4 565	1 483	661 859	2 292	664 151

	Equity attributable to shareholders of Parent entity							Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Revaluation reserve	Other reserve capitals			Foreign exchange differences on translation of foreign operations				
				Hedging instruments	Actuarial gains/ (losses)	Results from previous years					
Audited											
As at 1.01.2015	41 120	309 984	6 790	(3 994)	(4 744)	257 996	15 221	49 537	671 910	2 593	674 503
Corrections of errors	-	-	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-	-	-
As at 1.01.2015 after adjustments	41 120	309 984	6 790	(3 994)	(4 744)	257 996	15 221	49 537	671 910	2 593	674 503
Net profit for the period	-	-	-	-	-	-	-	50 203	50 203	1 555	51 758
Other comprehensive income	-	-	-	396	(107)	-	(150)	-	139	(144)	283
Distribution of profit	-	-	-	-	-	49 537	-	(49 537)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(358)	(358)
Payment to capital of a subsidiary from holders of non-controlling interest	-	-	-	-	-	(102)	-	-	(102)	20	(82)
Transfer within equity	-	-	(612)	-	3 488	(2 876)	-	-	-	-	-
Other	-	-	-	-	-	191	-	-	191	(4)	187
As at 31.12.2015	41 120	309 984	6 178	(3 598)	(1 363)	304 746	15 071	50 203	722 341	3 950	726 291

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

1. General information

These condensed consolidated financial statements of the Trakcja Group cover the 3-month period ended on March 31, 2016.

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

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

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

On June 22, 2011, the Regional Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register, registered the change of the Company's business name from Trakcja Polska S.A. to Trakcja - Tiltra S.A. The above change was registered pursuant to Resolution no. 3 adopted by the Extraordinary Shareholder Meeting on June 15, 2011.

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

On December 19, 2013, the District Court for the Capital City Warsaw in Warsaw, 12th Economic Division of the National Court Register registered the merger of Trakcja S.A. (as the acquiring company) with PRKił S.A. (as the acquired company). The merger was accounted for and recognized at December 31, 2013 in the accounting books of the company to which the property of the merged companies passed to, i.e. Trakcja S.A. by means of shares bonding method.

On December 19, 2013, the District Court for the Capital City Warsaw in Warsaw, 13th Economic Division of the National Court Register registered the change of name of the Company from Trakcja S.A. to Trakcja PRKił S.A. This change was registered under Resolution No. 6 of the Extraordinary Shareholder Meeting of November 27, 2013.

On January 29, 2002, the Company was entered in the National Court Register in the Regional Court in Warsaw at the 19th Economic Division under file number KRS 0000084266. Trakcja PRKił S.A. was assigned the statistical number REGON 010952900, the taxpayer identification no. NIP 525-000-24-39 and code PKD 4212Z.

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

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

- work on foundations and networks;
- installation of overhead contact substations and section cabins;
- installation of high and low voltage overhead and cable lines;
- installation of power supply and local control cables;
- production of high, medium and low voltage switching stations, overhead contact system accessories and local control devices;
- specialized equipment services (excavators, rail and car cranes, drill setters, piling rigs);

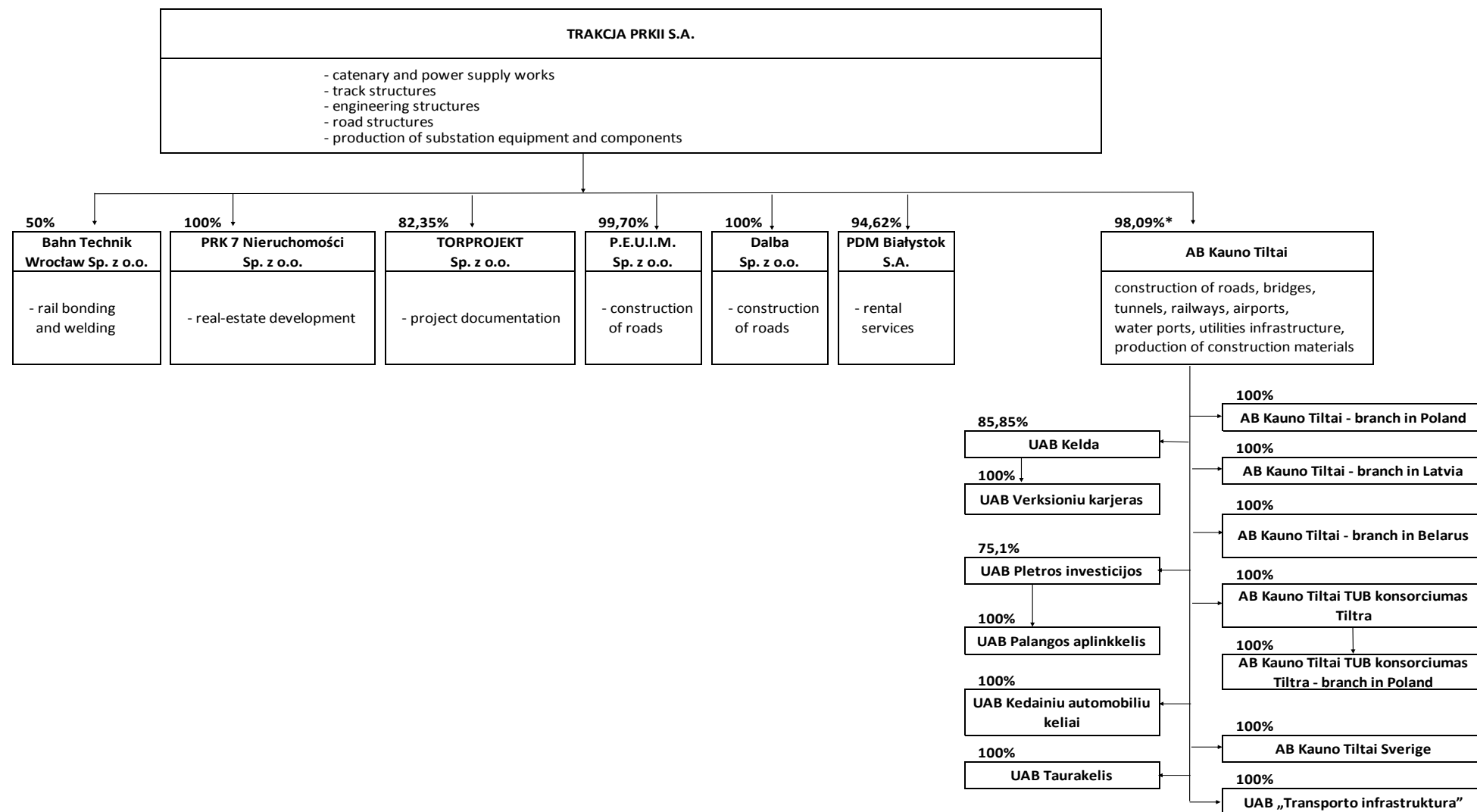
- construction of bridges, viaducts, overpasses, culverts, tunnels, subways, roads and associated elements of rail and road infrastructure.

2. Skład Grupy

As at March 31, 2016, the Group consists of the Parent entity Trakcja PRKiI S.A., subsidiaries and Bahn Technik Wrocław Sp. z o.o. classified according to IFRS 11 as a joint venture.

Subsidiaries from the AB Kauno Tiltai Group and subsidiaries: PRK 7 Nieruchomości Sp. z o.o. and Torprojekt Sp. z o.o. are consolidated using the full consolidation method. Bahn Technik Wrocław Sp. z o.o. is consolidated using the equity method.

The Group's organizational structure is presented in the scheme below:



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

3. Changes in Capital Group together with an indication of their effects

In the first quarter of 2016 years there were changes in the organizational structure of the Trakcja Capital Group. Trakcja PRKiI S.A. on the March 29, 2016 has opened a plant in Bulgaria (Sofia).

4. Composition of the Parent Company's Management Board

The Company's Management Board as of September 30, 2015 was composed of the following persons:

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

No changes in the composition of the Management Board occurred in the first quarter of 2016 years and after the balance sheet date.

5. Composition of the Parent Company's Supervisory Board

The Company's Supervisory Board on March 31, 2016 was composed of the following persons:

- Dominik Radziwiłł - Supervisory Board Chairman;
- Andrzej Bartos - 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.

No changes in the composition of the Supervisory Board occurred in the first quarter of 2016 years and after the balance sheet date.

6. Shareholding structure of the Parent company

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

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%
ING OFE	5 111 908	9,95%	5 111 908	9,95%
OFE PZU	4 349 650	8,46%	4 349 650	8,46%
Other	26 094 797	50,77%	26 094 797	50,77%
Total	51 399 548	100,00%	51 399 548	100,00%

From the date of the last periodic report to the balance sheet date the status of shareholders held, directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting did not change.

After the balance sheet date and before the date of approval of the financial statements for publication there were changes in the shareholding. After the balance sheet date, the Company received a notice from a shareholder

COMSA S.A. about the change of at least 2% of votes at the General Meeting of the Company. Currently COMSA S.A. has 15 843 193 shares, representing 30.82% of the share capital of the Company entitling COMSA S.A. to 15 843 193 votes at the General Meeting of the Company, representing 30.82% of total votes.

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

From the previous periodic report there were no changes in the shares of the Parent company held by persons managing and supervising the Company. As of the day of publishing this statement, the shares in Trakcja PRKiI S.A. held by its managing and supervising persons were as follows:

First name and surname	Function	Number of shares	Shares nominal value	% in the shareholding
Nerijus Eidukevičius	Vice President of the Management Board	328 271	262 617	0,639%

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

8. Approval of the financial statements

These condensed consolidated financial statements have been approved by the Management Board of the Parent company for publication on May 16, 2016.

9. Significant values based on professional judgement and estimates

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

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

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

The professional judgment of the management, basic assumptions referring to the future and other key sources of uncertainties that are present at the balance sheet date – related with risk of significant adjustment of balance sheet value of assets and liabilities in the following fiscal year - are presented below.

9.1. Professional judgment

Fair value of financial instruments

Fair value of the financial instruments for which active market does not exist, is estimated by use of appropriate valuation methods. When selecting the right methods and assumptions, the Group follows the professional judgment. Assumptions that were taken for this purpose are presented in Note no. 48 to Additional information and explanations to the Consolidated financial statements for the year 2015.

Classification of lease agreements

The Group classifies leasing as operational or financial, based on an assessment of the scope in which risk and benefits - arising from possession of the object of leasing - are assigned to the lessor or the lessee. This assessment is based on the economic content of each transaction.

Investment property

The Group classifies real properties as tangible fixed assets or investment property depending on its planned use by the Group.

Goodwill allocation to cash generating units

Pursuant to IAS 36, goodwill is allocated to cash generating units. The Group performs an assessment connected with allocation of goodwill to relevant units that generate cash flow.

Recognition and loss of control over related entities

The Group is guided by professional judgment in evaluating the start and end of having control over related entities by taking into account all circumstances affecting the control. In the process of evaluation of the end of control, the Group is mainly guided by legal prerequisites i.e. resulting from the law (e.g. pursuant to the Code of Commercial Companies, court decision) and by economic prerequisites specific to each company. This is done by monitoring the economic and financial position of each company as at the balance sheet date.

Classification of joint arrangements

The Group determines whether it has joint control and determine the type of joint contractual arrangement in which it is involved by assessing its rights and obligations arising from the joint agreement and by taking into account the structure and legal form of the joint arrangement and conditions agreed upon by the parties. The Group classified the investment in the company Bahn Technik Wrocław Sp. z o.o. as a joint venture in accordance with IFRS 11.

Control over related parties

The Parent Company performs control over related parties if - because of its involvement in them - has exposure to variable returns or if has rights of variable returns and if can influence these returns by exercising power over these parties. The Company's management board determines that control over individual parties is performed on the basis of the following elements:

Trakcja PRKiI is the owner of 100% of share capital of PRK 7 Nieruchomości Sp. z o. o. and performs control over this subsidiary. Trakcja PRKiI company has become the owner of PRK 7 Nieruchomości by merging Trakcja S.A. company with PRK 7 S.A. company which was the owner of PRK 7 Nieruchomości Sp. z o.o.

Trakcja PRKiI is the owner of 99,70% of share capital of PEUiM Sp. z o. o. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of PEUiM Sp. z o.o. by acquisition of shares.

Trakcja PRKiI is the owner of 100% of share capital of Dalba Sp. z o. o. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of Dalba Sp. z o.o. by acquisition of shares.

Trakcja PRKiI is the owner of 94,62% of share capital of PDM Białystok S.A. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of PDM Białystok S.A. by acquisition of shares.

Trakcja PRKiI is the owner of 82.35% of share capital of Torprojekt Sp. z o. o. and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of Torprojekt Sp. z o.o. by acquisition of shares.

Trakcja PRKiI is the owner of 98.09% of share capital of AB Kauno Tiltai and performs full control over this subsidiary. Trakcja PRKiI company has become the owner of AB Kauno Tiltai by acquiring shares of AB Kauno Tiltai which itself is the parent entity of the AB Kauno Tiltai Group. The composition of this Group and percentage of the shares owned was presented in Note no. 2 of Additional information and explanations regarding the composition and structure of the Group.

9.2. Uncertainty of estimates

Revenue recognition

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

Provisions for correction works

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

Provisions for contractual penalties

The Group recognizes provisions for contractual penalties on executed contracts as value possible and probable to incur. Provisions are created based on the documentation from the course of the contract and on the opinion of lawyers who participate in discussions held and who estimate possible future liabilities of the Group based on the course of discussions.

Deferred tax assets

The Group recognizes a deferred tax asset based on the assumption that tax profit will be achieved in the future and this tax profit can be utilized. Deterioration of the obtained tax results in the future could cause that such assumption would be unjustified. The Management Board of the Parent entity verifies adopted estimations concerning probability of recovering deferred tax assets on the basis of changes of factors taken into account, new information, and past experience. Probability of realizing the deferred tax asset with future tax profits is based on the budgets of the Group's companies. The Group's companies recognized in the books the deferred tax asset up to the amount to which it is probable that they will generate taxable profit that will allow offsetting negative temporary differences. The Group's companies which historically generated losses and whose financial projections do not foresee generating taxable profit that would allow to offset negative temporary differences, do not recognize deferred tax asset in their books.

Depreciation rates

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

Investment property

Investment property is valued at fair value. Valuations of investment property were prepared by the independent experts with current license to perform such valuations. The selection of the approach and the method was driven by principles defined in IFRS 13, the Act on real properties management and in the Regulation of the Council of Ministers on detailed rules of valuation of real properties and rules and mode of preparation of appraisal reports. Valuation of fair value of the investment property was made with use of such valuation techniques that maximize the use of observable data.

Impairment tests

Pursuant to IAS 36, at the balance sheet date the Management Board of the Parent Company performs annual impairment tests for cash generating units to which the goodwill was assigned. These tests require estimation of utility value of cash generating units ("CGU") on the basis of the future cash flows generated by these CGU. These future cash flows are then adjusted to present value. As at March 31, 2016 there were no prerequisites that show possibility of losing value by the CGU. Therefore the Group did not perform impairment tests.

Impairment of inventory

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

Write-down of trade receivables and other receivables

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

Valuation of fair value and procedures related with valuation

Some assets and liabilities are valued at fair value for the purpose of the financial reporting. In valuation of fair value of assets and liabilities the Group uses in the maximum possible scope the observable data. Detailed information of the items valued at fair value was presented in Notes no. 27 and 30. Information on valuation techniques and input data used for valuation of fair value of individual assets and liabilities are disclosed in Notes no. 23, 41 and 48 to the Additional information and explanations in the consolidated financial statements for the year 2015.

10. Basis for preparation of the condensed consolidated financial statements

The condensed consolidated financial statements have been prepared according to historical cost principle, except for the derivative financial instruments, investments properties and financial assets available for sale, which are estimated according to fair value.

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

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

The AB Kauno Group's subsidiaries and the following subsidiaries: PRK 7 Nieruchomości Sp. z o.o., Torprojekt Sp. z o.o. are consolidated using full consolidation method. The company Bahn Technik Wrocław Sp. z o.o. is consolidated using equity method.

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

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

11. Declaration of conformity

The condensed consolidated financial statement was prepared according to the International Financial Reporting Standard ("IFRS") approved by the European Union. At the day of approving this financial statement, within the scope of accountancy principles applied by the Group, there are no significant differences between IFRS standards and the IFRS standards approved by the European Union. The standards that did not come into force on March 31, 2016 and were not approved by the European Union at the day of preparing this consolidated financial statement are presented in note No. 12.

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

Currency of measure and currency of financial statements

The measuring currency of the Parent Company and the majority of the companies within the Group and the reporting currency in the I quarter of 2016 in these consolidated financial statements is Polish Zloty. The measuring currency of the companies seated in Lithuania is EURO (EUR), whereas the company seated in Sweden is Sweden Crone (SEK), while the measurement currency of the branch of AB Kauno Tiltai in Belarus is the Belarusian ruble (BYR).

12. Significant accountancy principles

The accountancy principles (policy) applied to prepare this condensed consolidated financial statement for the period 3 months ended March 31, 2016 are coherent with those which were applied while preparing the annual consolidated financial statements for 2015, with the exclusion of the changes specified below. The same principles were applied in the current and comparable period, unless the standard or interpretation assumed only prospective application.

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

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

At the moment, the IFRS in the shape approved by the European Union do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the below standards and amendments to standards, which as of 16 May 2016, have not yet been approved for application:

- *IFRS 9 Financial Instruments*

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

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

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

- *IFRS 14 Regulatory Deferral Accounts*

The new standard was issued on 30 January 2014 and applies to annual periods beginning on or after 1 January 2016. The European Commission decided not to approve this temporary standard for application in the EU until its final version has been issued. This standard is designed to allow entities adopting the IFRS for the first time, which currently recognise the regulatory deferral accounts in accordance with the previously generally adopted accounting principles, to continue recognising such accounts after the election to adopt the IFRS.

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

- *IFRS 15 Revenue from Contracts with Customers*

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

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

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

- *IFRS 16 Leases*

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

The Group shall apply the new standard from 1 January 2019.

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

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

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

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

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

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

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

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

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

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

The Group shall apply the amended standards from 1 January 2017.

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

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

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

The Group shall apply the amended standards from 1 January 2017.

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

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

The Entity estimates that the application of hedge accounting to a portfolio of financial assets or liabilities under IAS 39 Financial Instruments: Recognition and Measurement would not have a significant impact on the financial statements, if such principles were adopted as of the balance sheet date.

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

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

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

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

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

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

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

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

- Amendments to IAS 19 Employee Benefits

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

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

- Amendments to IFRS 11 Joint Arrangements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes introduced voluntarily by the Group

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

13. Description of factors and events having material impact on financial results of Trakcja Group for the I quarter of 2016

As of March 31, 2016, the portfolio of construction contracts of the Trakcja Group was PLN 1,557 million (excluding the revenues allocated to consortium members). In the first quarter of 2016, the companies within the Trakcja Group signed construction contracts with the total value of PLN 80 million (excluding the revenues allocated to consortium members). As of 31 March 2016, the contract portfolio of the Trakcja Group provided for the full capacity utilisation in the current financial year. The participation in new tenders in 2016 will allow the Group to secure its contracts portfolio for future periods to an even greater extent.

The Trakcja Group's revenues from sales for the first quarter of 2016 were PLN 140,216 thousand, that is they fell by PLN 90,295 thousand as compared to 2015. The decline in revenues in this financial year has been caused by delays in opening tenders by PKP PLK S.A., and in consequence by a lower level of contracting. The cost of goods sold dropped by PLN 84,465 thousand and was PLN 123,663 thousand.

The gross profit on sales was PLN 16,553 thousand and decreased by PLN 5,830 thousand as compared to the previous year. In the first quarter of 2016, the gross profit margin was 11.8%, while in the corresponding period of 2015 it was 9.7%.

The overheads were PLN 13,216 thousand and dropped by 18.2%, i.e. by PLN 2,933 thousand, in comparison with the comparable period. The aforementioned decrease was caused by the recognition in the first quarter of 2015 of the costs of employment restructuring within the Group and the costs of non-competition benefits and compensation for the former management board members. The selling, marketing and distribution costs were PLN 1,715 thousand and dropped by PLN 732 thousand. The balance on other operating activity of the Group was PLN 912 thousand and

increased by PLN 1,190 thousand as compared to the comparable period. The Group's profit on operating activity for the first quarter of 2016 was PLN 1,512 thousand. The profit on operating activity decreased by PLN 1,621 thousand as compared to the first quarter of 2015, when it was PLN 3,133 thousand.

The balance on financial activity of the Group for the first quarter of 2016 was PLN 730 thousand and increased by PLN 31 thousand in relation to the loss on financial activity generated for the first quarter of the preceding year.

The Groups gross profit for the period from 1 January 2016 to 31 March 2016 was PLN 782 thousand. The gross profit for the first quarter 2016 decreased by PLN 1,652 thousand as compared to the first quarter of 2015, when it was PLN 2,434 thousand. The income tax for the first quarter of 2016 decreased the gross profit by PLN 284 thousand and was lower by PLN 607 thousand than the income tax for the corresponding period of the previous year. The Group's net profit for the period from 1 January 2016 to 31 March 2016 was PLN 498 thousand. It was lower by PLN 1,045 thousand than the net profit for the first quarter of 2015.

At the end of the first quarter of 2016, the Group's balance sheet total was PLN 1,201,839 thousand and was lower by 9.5% than the balance sheet total at the end of 2015.

The fixed assets increased by PLN 1,939 thousand (i.e. by 0.3% of the fixed assets as of 31 December 2015) and were PLN 706,217 thousand, while the current assets decreased by PLN 127,521 thousand, i.e. by 20.5% in comparison with their value as of 31 December 2015, and were PLN 495,622 thousand.

The decline in the current assets resulted primarily from the decrease in cash and cash equivalents by PLN 158,028 thousand, i.e. by 62.9%. It was caused by payments made to subcontractors. The high level of cash as of 31 December 2015 resulted from the significant payment made by PKP PLK S.A. of the accounts due at the end of 2015. As of 31 March 2016, the cash and cash equivalents were PLN 93,407 thousand. As of 31 March 2016, the inventories increased by PLN 19,414 thousand, i.e. by 22.9%, as compared to their balance as of 31 December 2015.

As of 31 March 2016, the equity of the Group decreased by PLN 369 thousand in comparison with its balance as of 31 December 2015.

As of 31 March 2016, the long-term liabilities were PLN 139,348 thousand and decreased by PLN 2,627 thousand, i.e. by 1.9%, in comparison with their balance as of 31 December 2015.

The short-term liabilities were PLN 336,569 thousand and decreased by 26.7%, i.e. by PLN 122,587 thousand, as compared to their balance as of 31 December 2015. The trade liabilities and other liabilities were PLN 189,983 thousand and dropped by PLN 98,117 thousand, i.e. by 34.1%. The short-term construction contract liabilities decreased by PLN 19,602 thousand and were PLN 88,621 thousand as of 31 March 2016.

At the beginning of 2016, the Group's cash and cash equivalents were PLN 251,317 thousand and at the end of the 3-month period their balance was PLN 93 135 thousand. The net cash flow for the first 3 months of 2016 was negative and amounted to PLN 158,182 thousand, which means that it decreased by PLN 140,857 thousand in comparison with the corresponding period of 2015. The Group's cash flow from operating activity was negative and amounted to PLN 154,788 thousand. The foregoing resulted mainly from the payments made to contractors.

14. Cyclical and seasonal character of activity

The sales of construction and installation services, renovation services and services related to both roads and railways in Poland is characterised by seasonality related mainly to weather conditions. The highest level of revenue is generated usually in the second, third and fourth quarter, while the lowest level is generated in the first quarter.

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

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

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

In the I quarter of 2016, there were no events with a significant impact on assets, liabilities, equity, net profit/loss or cash flows that are not non-typical due to their nature, value, effect or frequency.

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

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

- The ability to win new construction contracts, which is – taking into consideration the profile of the Group's activities - determined by the level of expenditures on the rail and tram infrastructure in Poland and Lithuania.
- The accuracy of estimating the costs of implemented projects that has direct impact on decisions concerning the tender-participation strategy, the valuation of contracts for tenders and finally the margins generated on the contracts. The accuracy of estimation of cost budgets for contracts depends on the methodological and external factors such as changes in prices of materials and services rendered by subcontractors.
- Kształtowanie się kursu walutowego, kursu złotego w stosunku do euro. Z uwagi na przeliczenie poszczególnych pozycji rachunku zysków i strat spółek litewskich kursem średnim za okres objęty konsolidacją, skonsolidowane wyniki finansowe Grupy narażone są na wahanie kursu złotego w stosunku do euro.
- The Central Bank's monetary policy resulting in the changes in interest rates. To finance planned acquisitions, the Group may apply for bank loans and therefore it may incur financial expenses determined by the level of interest rates.
- The timeliness in repayment of liabilities by customers. A customers' default may lead to the deterioration of the financial liquidity of the Group.

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

- The procedure for awarding public procurements, in particular, the amendment to the Act on the Public Procurement Law,
- The public-private partnership, in particular, the Act on Public-Private Partnership (Journal of Laws of the 19 December 2008),
- The financing of railway and road infrastructure,
- The environmental protection in the scope of implementation of individual projects, in particular, the Act on the Environmental Protection Law,
- The property development activities of PRK 7 Nieruchomości Sp. z o.o., the regulations governing buying and selling real properties, in particular the Civil Code, Act on the Real Estate Management of 21 August 1997 (Journal of Laws, 10.102.651), Act on the Acquisition of Real Estate by Foreigners of 24 March 1920 (Journal of Laws, 04.167.1758), Act on the Ownership of Premises of 24 June 1994 (Journal of Laws, 00.80.903), the Act of 16 September 2011 on the protection of the rights of the purchaser of a dwelling or a detached house and provisions related zoning and building.

18. Risk factors

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

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

- Risk related to performance of construction contracts,
- Risk associated with the conditions and procedures for awarding tenders,
- Risk of growing portfolio of overdue receivables,
- Risk related to financial agreements,
- Liquidity risk,
- Risk related to strategy implementation.

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

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

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

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

20. Concise description of significant achievements or failures during the I quarter 2016

In the first quarter 2016, the Trakcja Group generated net profit in the amount of PLN 498 thousand. Striving for increased efficiency and effectiveness of operations and optimization of project management's internal procedures enabled the Group to achieve a gross margin on sale of 11,8%.

The significant achievements of the Group during the 3 months ended on March 31, 2016 include:

- Gross margin for the three months 2016 years was 11.8%, an increase of 2.1 p.p. compared to the same period of 2015.
- Providing access to credit financing: as at March 31, 2016, the Group companies had overdraft and revolving credit limit equalling to the total amount of PLN 191 million.
- Providing access to guarantee lines: as at March 31, 2016, the Group companies had available guarantee lines at the level of PLN 966 million.
- Further development of IT process-supporting tools in the Parent entity.

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

Apart from the information contained in the following condensed consolidated financial statement for the I quarter of 2016 there is no other material information of the assessment of the personnel, assets, financial standing and the financial results of the Group and their changes or for the assessments of the Group's ability to fulfill its obligations.

22. Deferred tax

	Consolidated Balance sheet as at		Consolidated statement of total comprehensive
	31.03.2016	31.12.2015	For the period of 3 months ended 31.03.2016
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
Deferred tax assets	32 119	30 779	1 340
Deferred tax liabilities	27 858	26 613	(1 245)
Change of deferred tax assets and liabilities			95
Recognized:			
- in net profit			(111)
- in equity			221
- variances due to currency translation			(15)

23. Change of the write downs and impairments

	Tangible asstes	Intangible assets	Goodwill	Inventory	Receivables	Total
As at 1.01.2016	792	-	49 733	1 194	21 661	73 380
<i>Audited</i>						
Recognized	-	-	-	-	427	427
Variances due to currency translation	-	-	-	-	(2)	(2)
Used	-	-	-	-	(124)	(124)
Reversed	-	-	-	-	(120)	(120)
As at 31.03.2016	792	-	49 733	1 194	21 842	73 561
<i>Unaudited</i>						

24. Provisions

	Provisions
As at 1.01.2015	32 892
<i>Audited</i>	
Recognized	3 649
Variances due to currency translation	25
Used	(5 542)
Reversed	(28)
As at 31.03.2016	30 996
<i>Unaudited</i>	
Including:	
- long-term	7 063
- short-term	23 933

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

In the period from January 1 to March 31, 2015, the Group acquired tangible non-current assets and intangible assets in the total amount of PLN 7 790 thousand (in the comparable period of 2014: PLN 11 014 thousand).

In the period from January 1 to March 31, 2015, the Group sold its tangible non-current assets and intangible assets in the total book value of PLN 441 thousand (in the comparable period of 2014: PLN 1 425 thousand).

26. Joint ventures

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

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

	31.03.2016	31.12.2015
	<i>Unaudited</i>	<i>Audited</i>
Current assets	7 249	19 744
including: Cash and cash equivalents	1 559	3 231
Non-current assets	25 592	24 030
Long-term liabilities	4 301	14 266
including: Interest-bearing bank loans and borrowings	487	2 094
Short-term liabilities	2 306	1 230
including: Provision for deferred tax	1 216	1 157
Equity	26 234	28 279
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	13 117	14 140

	1.01.2016 - 31.03.2016	1.01.2015 - 31.03.2015
	<i>Unaudited</i>	<i>Unaudited</i>
Sales revenues	2 766	4 866
Cost of goods sold	5 164	5 960
including: Depreciation	780	685
Financial income	3	285
including: Interest income	3	9
Financial costs	116	114
including: Interest cost	16	17
Income tax	(466)	(170)
Net result from continued operations	(2 044)	(753)
Net result from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	(2 044)	(753)
Group's share of profit for the year from continued operations (50%)	(1 022)	(376)
Group's share of total comprehensive income for the year from continued operations (50%)	(1 022)	(376)

As at March 31, 2016, the company BTW had the following contingent liabilities:

- promissory notes in the amount of PLN 2,000 thousand (31.12.2015: PLN 2,000 thousand);
- cession of insurance policies in the total amount of PLN 10 210 thousand (31.12.2015: PLN 10 210 thousand);
- guarantees amounting to PLN 326 thousand (31.12.2015: PLN 266 thousand).

Jointly controlled operations – contracts carried out in consortiums

The Group carries out some long-term contracts based on consortium agreements as the consortium leader without creating separate entities. The Group treats participation in such contracts as shares in joint operations in accordance with IFRS 11. Therefore, the Group does not recognize in the income statement components of income and expenses arising from such contracts attributable to consortium members.

The table shown below presents the amounts of revenues and expenses attributable to the members of the consortium on contracts executed in the context described above consortiums which have not been recognized in the profit and loss statement of the Group.

	1.01.2016- 31.03.2016	1.01.2015 - 31.03.2015
	<i>Unaudited</i>	<i>Unaudited</i>
Sales revenues	11 480	60 060
Cost of goods sold	(12 496)	(62 396)
Gross profit on sales	(1 016)	(2 336)

The Group has not recognized in the balance sheet as at 31st March 2016 trade and other receivables attributable to consortium partners in the amount of PLN 43 119 thousand (31.12.2015: PLN 37 410 thousand) and trade and other liabilities attributable to consortium partners in the amount of PLN 53 261 thousand (31.12.2015: PLN 47 537 thousand).

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

In the I quarter of 2016 the Group did not change in the valuation of financial instruments measured at fair value. Derivatives are classified at Level 2 of fair value measurement. During the 3 months ended March 31, 2015, there were no transfers between levels 1,2 and 3.

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

In the I quarter of 2016 the Group did not change the classification of financial assets as a result of changes in their purpose or use.

29. Additional information to the cash flow statement

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

	31.03.2016	31.12.2015
	<i>Unaudited</i>	<i>Audited</i>
Cash in hand	118	124
Cash at bank	47 795	95 294
Other cash - deposits	44 568	155 088
Other cash - escrow	926	928
Total cash and cash equivalents	93 407	251 435
Cash and cash equivalents excluded from cash flow statement	(272)	(118)
Cash and cash equivalents presented in cash flow statement	93 135	251 317

Cash and cash equivalents excluded from the cash flow statement as at March 31, 2016 relate to blocked funds in accounts of development projects in the amount of PLN 272 thousand.

30. Assets and liabilities measured in fair value

The Group measures the following assets and liabilities in fair value: investment properties, derivatives and financial assets related to the concession agreement. During the 3 months ended March 31, 2016 there was no change

in valuation technique of fair value of the above mentioned assets and liabilities. Details of the valuation techniques used and the unobservable inputs used in the valuation are described in the annual financial statements of the Group for the year 2015.

Items recognized in fair value	Level I		Level II		Level III	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Derivatives (financial liabilities)	-	-	7 454	5 843	-	-
Investment properties	-	-	-	-	21 976	21 976

During 3 months ended March 31, 2016 there were no transfers between levels 1, 2 and 3 during the year.

31. Information concerning segments

Description of the segments is presented in the annual consolidated financial statements for the year 2015.

Main customers:

In the 3 months ended March 31, 2016 revenues from transactions with single external customer accounted for 10% or more of total revenue. The following table presents the total amount of revenue from each such customer segments and indicate that these revenues relate to:

The total amount of income obtained in 3 months ended 31.03.2016 from a single customer (thousand PLN)	Operation segment containing the revenues	
78 734	Civic building - Poland	
21 952	Construction, engineering and concession contracts - Baltic countries	

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

Operational segments:

For the period from 1.01.2016 to 31.03.2016

Unaudited

	Civic building - Poland	Construction, engineering and concession contracts - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	93 669	46 267	280	140 216	-	-	140 216
Sales between segments	2	-	-	2	-	(2)	-
Total segment revenues	93 671	46 267	280	140 218	-	(2)	140 216
Depreciation	3 327	2 183	22	5 532	-	-	5 532
Share of profits of entities consolidated using equity method	(1 022)	-	-	(1 022)	-	-	(1 022)
Financial income - interests	246	959	14	1 219	-	-	1 192
Financial expenses - interests	568	765	31	1 364	-	-	1 337
Gross profit	1 000	36	(252)	784	-	(2)	782

For the period from 1.01.2015 to 31.03.2015

Unaudited

	Civic building - Poland	Construction, engineering and concession contracts - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Revenues							
Sales to external customers	160 335	65 033	5 143	230 511	-	-	230 511
Sales between segments	2	-	-	2	-	(2)	-
Total segment revenues	160 337	65 033	5 143	230 513	-	(2)	230 511
Depreciation	3 921	2 153	22	6 096	-	-	6 096
Share of profits of entities consolidated using equity method	(376)	-	-	(376)	-	-	(376)
Financial income - interests	180	870	19	1 069	-	-	1 069
Financial expenses - interests	1 453	563	1	2 017	-	-	2 017
Gross profit	1 130	(530)	1 093	1 693	-	741	2 434

As at 31.03.2016

Unaudited

	Civic building - Poland	Construction, engineering and concession contracts - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Segment assets	598 352	663 884	48 621	1 310 857	-	(141 137)	1 169 720
Assets not allocated to segments							32 119
Total assets							1 201 839
Segment liabilities	190 022	185 707	11 409	387 138	-	(50 569)	336 569
Other disclosures:							
Capital expenditure	(4 738)	(3 052)	-	(7 790)	-	-	(7 790)
Impairment of non-financial assets	-	-	-	-	-	-	-
Investments in entities consolidated using equity method	13 117	-	-	13 117	-	-	13 117

As at 31.12.2015

Audited

	Civic building - Poland	Construction, engineering and concession contracts - Baltic countries	Other segments	Total	Discontinued operations	Exclusions	Total operations
Segment assets	680 874	707 032	44 306	1 432 212	-	(135 570)	1 296 642
Assets not allocated to segments							30 779
Total assets							1 327 421
Segment liabilities	270 972	227 760	5 545	504 277	-	(45 121)	459 156
Other disclosures:							
Capital expenditure	(22 397)	(17 671)	(89)	(40 157)	-	-	(40 157)
Impairment of non-financial assets	(15 699)	-	-	(15 699)	-	-	(15 699)
Investments in entities consolidated using equity method	14 140	-	-	14 140	-	-	14 140

Geographic segments:

For the period from 1.01.2016 to 31.03.2016

Unaudited

	Domestic	Foreign	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	93 949	46 267	140 216	-	-	140 216
Sales between segments	2	-	2	-	(2)	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	93 951	46 256	140 218	-	(2)	140 216

For the period 1.01.2015 to 31.03.2015

Unaudited

	Domestic	Foreign	Total	Discontinued operations	Exclusions	Total operations
Revenues						
Sales to external customers	165 478	65 033	230 511	-	-	230 511
Sales between segments	2	-	2	-	(2)	-
Sales domestic/ abroad	-	-	-	-	-	-
Total segment revenues	165 480	65 033	230 513	-	(2)	230 511

As at 31.03.2016

Unaudited

	Domestic	Foreign	Total	Discontinued operations	Exclusions	Total operations
Operating assets	647 038	663 819	1 310 857	-	(141 137)	1 169 720
Operating liabilities	218 554	168 584	387 138	-	(50 569)	336 569

As at 31.12.2015

Audited

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

32. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the below table:

	31.03.2016	31.12.2015
	<i>Unaudited</i>	<i>Audited</i>
Contingent receivables		
From related entities due to:	-	809
Received guarantees and sureties	-	809
From related entities due to:	100 333	98 049
Received guarantees and sureties	93 742	92 547
Bills of exchange received as collateral	6 591	5 502
Total contingent receivables	100 333	98 859
Contingent liabilities		
To related entities due to:	-	809
Provided guarantees and sureties	-	809
To other entities due to:	2 499 795	2 717 007
Provided guarantees and sureties	503 430	563 859
Promissory notes	431 350	439 152
Mortgages	145 465	151 067
Assignment of receivables	1 323 256	1 456 182
Assignment of rights under insurance policy	41 594	41 586
Deposits	17 949	28 419
Other liabilities	36 751	36 743
Total contingent liabilities	2 499 795	2 717 816

Contingent liabilities resulting from granted guarantees and sureties to other entities are mainly guarantees granted by the banks for the contracting parties of the Group's companies as collateral of their claims against the Group resulting from execution of construction contracts (guarantee of good performance, removal of defects and damages, and reimbursement of advance payment). The banks are entitled to back claims against the companies of the Group. Promissory notes constitute another form of collateral of bank guarantees, as stipulated above.

Apart from the conditional receivables and liabilities mentioned above, the Group as at March 31, 2016 possessed conditional receivables in amount of PLN 1,474 thousand (as at March 31, 2015: PLN 1,458 thousand) resulting from the signed employment contracts with its employees. In the event of a manager's failure to comply with his or her duties defined in Art. 1 of the Non-Compete Agreement, this manager will pay, immediately and without a termination notice or any demand from the Company, the penalty in favor of the Group for the amount in PLN equivalent of EUR 25,000 for each instance of infringement and an amount in PLN equivalent of EUR 1,000 for each day in which such an infringement takes place or is continued.

The conditional liabilities resulting from the signed employment contracts with its employees, as at March 31, 2016, amounted to PLN 6,507 thousand (as at March 31, 2015: PLN 9,246 thousand).

Tax settlements and other fields of business activities governed by regulations (e.g. customs and currencies), may be subject of administrative bodies control, which are entitled to impose high penalties and sanctions. Lack of reference to fixed legal regulations in Poland and Lithuania causes the occurrence of ambiguities and inconsistencies in the mandatory provisions of the law. Frequent differences in opinions as to legal interpretation of tax regulations both inside the national bodies and between the national bodies and companies, create the fields of conflicts and uncertainty. Tax settlements may be the subject to control for the period of five years, starting at the end of a year, in which the tax was paid. As a result of the performed controls, the current tax settlements of the Group may be increased by additional tax obligations. In the Group's opinion, as for March 31, 2016 proper provisions were created for the recognized and measureable tax risk.

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

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

In the I quarter of 2016, the Issuer and its subsidiaries did not grant loan guarantees or other guarantee to a single entity or its subsidiaries in the total value of such securities and guarantees equal to at least 10% of the equity of the Issuer.

34. Material litigation and disputes

As of 31 March 2016, the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authority, the value of which separately would be at least equivalent to 10% of the equity of Trakcja PRKiL S.A. The Company also informs that the total value of proceedings concerning the Company's claims and liabilities is at least 10% of the Company's equity. The total value of the proceedings concerning the Company's claims is PLN 60,586,252.81 and the total value of the proceedings concerning the Company's liabilities is PLN 6,605,815.09.

The most significant proceedings concerning claims:

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

Trakcja S.A. in Warsaw merged with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. in Wrocław. As a result of this merger, the legal successor of both companies is Trakcja 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 a possibility of composition, Przedsiębiorstwo Robót Komunikacyjnych i Inżynieryjnych S.A. in Wrocław submitted a statement of claims of 20 November 2012 to the bankruptcy court. The statement covered claims in the total amount of PLN 55,664,100.89, including the principal amount and the interest due up to the bankruptcy announcement date, as well as the accrued contractual penalties.

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

The most significant proceedings concerning liabilities:

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

Eiffage Polska Koleje Sp. z o.o. based in Warsaw filed on 21 April 2015 a suit for payment for the amount of PLN 2,975,851.31 against Trakcja PRKiL S.A. and PKP Polskie Linie Kolejowe S.A. seeking compensation in respect of unpaid invoices for subcontracted work. The Company filed an objection, and now the case is pending. The court scheduled the hearing.

Other proceedings:

Submission of claims to the bankruptcy estate of Projekt-Bud Sp. z o.o. with its registered office in Warsaw

On 10 March 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 the possibility of an 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 lease of locomotives and wagons, equipment rental, sales contracts, performed works and the contractual penalty charged against the Bankrupt. On 31 December 2015, PKP PLK (Awarding Entity) made a direct payment of PLN 7,382 827.30. In view of the above, as of the date of approval of these financial statements, the Company's claim against the Bankrupt was PLN 2,325,786.32.

Apart from the proceedings specified above, which are included 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 Lazurów 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 is questioning the claims contained in the lawsuit, therefore the Company submitted a response to the lawsuit. In 2015, a provision to cover this amount was created. 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, whose member was the Company's subsidiary (AB Kauno Tiltai), for a total sum of EUR 14,989,556.33 (i.e. PLN 63,981,422.23 according to the exchange rate announced on 31 March 2016). The investor brought a claim against AB Kauno Tiltai concerning the contractual penalty for delay in the performance of works. The share of the Trakcja Group in any potential liabilities that may arise from this trial is 65%. The case is suspended for the preparation of the expert's report. As a result of the analysis of risks associated with the ongoing court proceedings, the Group created a provision in the amount of PLN 27,800 in 2015. The Group refrained from making other disclosures related to this court case by invoking clause 92 of IAS 37.

35. Information on dividends paid or declared

In the period from January 1, 2016 to March 31, 2016 the Parent company did not declare and pay dividend.

36. Information on related entities

In the I quarter of 2016 the Group's companies did not contain any material transactions with related parties for conditions other than market. Transactions concluded by the Parent company and its subsidiaries (affiliates) are transactions concluded according to market terms and conditions and their nature results from the current activity conducted by the Parent company and its subsidiaries.

Total amounts of transactions concluded with affiliates for the period from January 1, 2016 to March 31, 2016 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
Shareholders of parent company:							
COMSA S.A.	1.01.16-31.03.16	-	345	-	-	-	-
	1.01.15-31.03.15	-	-	-	-	-	-
Joint ventures:							
BTW Sp. z o.o.	1.01.16-31.03.16	231	64	-	-	-	-
	1.01.15-31.03.15	179	965	-	-	-	-
Total	1.01.16-31.03.16	231	409	-	-	-	-
	1.01.15-31.03.15	179	965	-	-	-	-

The information concerning receivables and liabilities from / to affiliates as at March 31, 2016 is presented below:

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders of parent company:					
COMSA S.A.	31.03.2016	-	345	-	-
	31.12.2015	-	1 011	-	-
Joint ventures:					
BTW Sp. z o.o.	31.03.2016	226	236	-	-
	31.12.2015	194	1 484	-	-
Total	31.03.2016	226	581	-	-
	31.12.2015	194	2 495	-	-

Trakcja PRKiI S.A. has signed with its shareholder: COMSA S.A. an agreement concerning granting Trakcja PRKiI S.A. license to the technical know-how, trademark, competence, industry knowledge, expertise in the organizational, operational, commercial, technological field held by COMSA S.A. The agreement was concluded on market terms.

37. Events occurring in the III quarter 2015 and after the end of the reporting period

The summary of significant events that took place in the Group in the I quarter of 2016 is presented below:

As of 31 March 2016, the portfolio of construction contracts of the Trakcja Group was PLN 1,557 million (excluding the revenues allocated to consortium members). In the first quarter of 2016, the companies within the Trakcja Group signed construction contracts with the total value of PLN 80 million (excluding the revenues allocated to consortium members). As of 31 March 2016, the contract portfolio of the Trakcja Group provided for the full capacity utilisation in the current financial year. The participation in new tenders in 2016 will allow the Group to secure its contracts portfolio for future periods to an even greater extent.

Significant agreements - other	CR
Signed by Trakcja with PZU S.A. an amendment to the Agreement on regular granting insurance guarantees. Pursuant to the Agreement, a renewable maximum exposure limit of PLN 150,000,000 was established for the period from 21 January 2016 to 20 January 2017. The Agreement is secured with 3 blank promissory notes issued by the Issuer, along with a promissory note declaration.	CR 2/2016
Signed by Trakcja PRKiI S.A. and STU Ergo Hestia S.A. a Cooperation Agreement for providing insurance guarantees within the guarantee limit granted. Pursuant to the Agreement, a renewable maximum exposure limit of PLN 150,000,000. The Agreement is secured with 10 blank promissory notes issued by the Issuer, along with promissory note declarations.	CR 3/2016
Signed by Company with HSBC Bank Polska S.A. an amendment to the Agreement of guarantee line up to PLN 70,000,000.00. Under the amendment, the bank guarantee availability period was extended until 30 September 2016.	CR 4/2016
Other	
Due to the performance of impairment test of goodwill assigned to the cash generating unit, which consists of the following subsidiaries: Przedsiębiorstwo Eksploatacji Ulic i Mostów Sp. z o.o., Dalba Sp. z o.o. and Przedsiębiorstwo Drogowo-Mostowe Białystok S.A., has decided to write-off the value of that asset in Trakcja Group's consolidated balance sheet in the amount of PLN 12 302 thousand.	
Additionally, the Management Board of Trakcja PRKiI S.A. informs that it has been notified of the provision created by the subsidiary AB Kauno tiltai, which has an impact on the consolidated result of the Trakcja Group of 2015 amounting to PLN 27 800 thousand. The provision was created as on 31 December 2015 with regard to the litigation between the consortium, AB Kauno tiltai constitutes a part of, and the AB Lietuvos geležinkeliai, in which the AB Lietuvos geležinkeliai claim charging a contractual penalty due to a delay in performance of works.	CR 5/2016
<i>CR – Current report</i>	

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

Significant agreements - other	CR
Signed by Company's subsidiary AB Kauno Tiltai from 16 December 2015 to 29 April 2016, value of the agreements executed with the Lithuanian Road Administration of the Ministry of Communications the total net value calculated in PLN amounted to PLN 146 595 585,42 PLN. The agreement with the largest value was the agreement executed by a consortium, which includes Kauno, with the net value calculated in PLN amounting to: PLN 105,610,072.91.	CR 8/2016
Signed by Company with mFaktoring S.A. an amendment the limit of financing set out in the Agreement was changed, and now it amounts to PLN 50,000,000.00. Other provisions of the Agreement remained unaffected.	CR 6/2016
Other	
The Company received from its shareholder COMSA S.A. a notice about the change of at least 2% of votes in the General Meeting. Currently Comsa holds 15 843 193 shares, which accounted for 30,82% of the share capital of the Company entitling COMSA S.A. to 15 843 193 votes at the General Meeting of the Company which represents 30,82% of the total number of votes.	CR 7/2016
CR – Current report	

IV. QUARTERLY FINANCIAL INFORMATION

PROFIT AND LOSS STATEMENT

	1.01.2016 - 31.03.2016	1.01.2015 - 31.03.2015
	<i>Unaudited</i>	<i>Unaudited</i>
Continued operations		
Sales revenue	91 028	155 364
Cost of goods sold	(81 463)	(140 282)
Gross profit (loss) on sales	9 565	15 082
Cost of sales, marketing and distribution	(564)	(1 122)
General and administrative costs	(6 056)	(9 857)
Other operating revenues	1 068	535
Other operating costs	(164)	(338)
Operating profit (loss)	3 849	4 300
Financial revenues	247	764
Financial costs	(769)	(1 893)
Gross profit (loss)	3 327	3 171
Income tax	(409)	(664)
Net profit (loss) from continued operations	2 918	2 507
Discontinued operations		
Net profit (loss) from discontinued operations	-	-
Net profit for the period	2 918	2 507
Profit per share attributable to shareholders in the period (PLN per share)		
- basic	0,06	0,05
- diluted	0,06	0,05

STATEMENT OF COMPREHENSIVE INCOME

	1.01.2016 - 31.03.2016	1.01.2015 - 31.03.2015
	<i>Unaudited</i>	<i>Unaudited</i>
Net profit for the period	2 918	2 507
Other comprehensive income:		
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		
Actuarial gains/(losses)	437	(314)
Total other comprehensive income	437	(314)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3 355	2 193

BALANCE SHEET

ASSETS	31.03.2016	31.12.2015
	<i>Unaudited</i>	<i>Audited</i>
Non-current assets	634 220	632 789
Tangible non-current assets	119 586	117 408
Intangible assets	55 318	55 567
Investment properties	17 602	17 602
Investments in subsidiaries	412 732	412 572
Investments in joint venture	2 008	2 008
Other financial assets	4 614	4 671
Deferred tax assets	20 111	19 715
Prepayments	2 249	3 246
Current assets	222 998	299 500
Inventory	43 575	31 283
Trade and other receivables	103 056	101 581
Other financial assets	9 817	11 828
Cash and cash equivalents	43 008	136 025
Accruals	7 495	7 206
Construction contracts	12 985	8 515
Assets held for sale	3 062	3 062
Total assets	857 218	932 289
Equity and liabilities		
Equity	616 682	613 327
Share capital	41 120	41 120
Share premium	309 984	309 984
Revaluation reserve	6 295	6 295
Other capital reserves	256 365	220 767
Retained earnings	2 918	35 161
Total equity	616 682	613 327
Long-term liabilities	57 219	60 527
Interest-bearing loans and borrowings	32 559	33 340
Provisions	2 557	4 690
Liabilities due to employee benefits	8 068	9 369
Deferred tax provision	14 035	13 128
Short-term liabilities	183 317	258 435
Interest-bearing loans and borrowings	9 920	9 651
Trade and other liabilities	120 627	182 398
Provisions	6 428	6 189
Liabilities due to employee benefits	6 242	6 722
Tax liabilities	-	3 362
Other financial liabilities	-	148
Accruals	196	150
Construction contracts	39 904	49 815
Total equity and liabilities	857 218	932 289

CASH FLOW STATEMENT

	Note	01.01.2016- 31.03.2016 <i>Unaudited</i>	01.01.2015- 31.03.2015 <i>Unaudited</i>
Cash flows from operating activities			
Gross profit from continued operations		3 327	3 171
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		(91 501)	53 203
Depreciation		2 770	3 213
FX differences		-	50
Net interest and dividends		476	1 444
Profit on investment activities		(25)	(251)
Change in receivables		(1 476)	165 023
Change in inventory		(12 292)	(687)
Change in liabilities, excluding loans and borrowings		(62 638)	(131 458)
Change in prepayments and accruals		753	(4 422)
Change in provisions		(1 894)	682
Change in construction contracts		(14 380)	26 038
Income tax paid		(3 362)	(6 097)
Other		567	(331)
Net cash flows from operating activities		(88 174)	56 374
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(2 841)	(2 049)
- acquisition		(2 875)	(3 385)
- sale		34	1 336
Sale (purchase) of shares and stocks		(160)	-
- acquisition		(160)	-
Financial assets		5 796	2 381
- sold or repaid		6 463	2 828
- granted or acquired		(667)	(447)
Loans		(3 700)	1 948
- repaid		-	1 948
- granted		(3 700)	-
Interest received		-	244
Net cash flows from investment activities		(905)	2 524
Cash flows from financing activities			
Repayment of loans and borrowings		(1 060)	(8 017)
Interest paid		(522)	(1 116)
Payment of liabilities under financial lease agreements		(2 198)	(38 338)
Inflows (outflows) income from other financial liabilities		(158)	(814)
Net cash flows from financing activities		(3 938)	(48 285)
Total net cash flows		(93 017)	10 613
Net FX differences		-	-
Cash at start of period		136 025	14 113
Cash at end of period	3	43 008	24 726
- with limited access		926	930

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revaluation reserve	Other reserves capital	Retained earnings	Total equity
				Actuarial gains/ (losses)	Results from previous years	
<i>Unaudited</i>						
As at 1.01.2016	41 120	309 984	6 295	(779)	221 546	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	613 327
Net profit for the period	-	-	-	-	-	2 918
Other comprehensive income	-	-	-	437	-	437
Distribution of profit	-	-	-	-	35 161	(35 161)
As at 31.03.2016	41 120	309 984	6 295	(342)	256 707	616 682
<i>Unaudited</i>						
As at 1.01.2015 after adjustments	41 120	309 984	12 604	(4 106)	171 845	581 244
Corrections of errors	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-
As at 1.01.2015 after adjustments	41 120	309 984	12 604	(4 106)	171 845	581 244
Net profit for the period	-	-	-	-	-	2 507
Other comprehensive income	-	-	-	(314)	-	(314)
Distribution of profit	-	-	-	-	49 797	(49 797)
Transfer within equity	-	-	(1 296)	-	1 296	-
Other	-	-	(281)	-	-	(281)
As at 31.03.2015	41 120	309 984	11 027	(4 420)	222 938	583 156

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

V. ADDITIONAL INFORMATION AND EXPLANATIONS TO THE CONDENSED FINANCIAL STATEMENTS

1. Analysis of financial results of Trakcja PRKił S.A. for the I quarter of 2016

The revenues from sales of Trakcja PRKił S.A. for the first quarter of 2016, which ended on 31 March 2016, were PLN 91,028 thousand, which means that they decreased by 41.4% as compared to the corresponding period of 2015. The decline in revenues in this financial year has been caused by delays in opening tenders by PKP PLK S.A., and in consequence by a lower level of contracting. In the first quarter of 2016, the cost of goods sold decreased by PLN 58,819 thousand, i.e. by 41.9%, and was PLN 81,463 thousand. In the first quarter of 2016, the gross profit margin was 10.5% and increased by 0.8 pp. in comparison with its level in the first quarter of 2015.

The overheads were PLN 6,056 thousand and dropped by 38.6%, i.e. by PLN 3,801 thousand, in comparison with the comparable period. The aforementioned decrease was caused by the recognition in the first quarter of 2015 of the costs of employment restructuring within the Company and the costs of non-competition benefits and compensation for the former management board members. The selling, marketing and distribution costs were PLN 564 thousand in the analysed period.

The balance on other operating activity was PLN 904 thousand. It was higher by PLN 707 thousand than its amount for the corresponding period of the comparable year. The Company's profit on operating activity for the period from 1 January 2016 to 31 March 2016 was PLN 3,849 thousand. It decreased by PLN 451 thousand in comparison with its level for the first quarter of 2015, when it was PLN 4,300 thousand.

The balance on financial activity was PLN 522 thousand, while the loss on financial activity for the first quarter of 2015 was PLN 1,129 thousand.

The Company's gross profit for the period from 1 January 2016 to 31 March 2016 was PLN 3,327 thousand. The income tax for the first quarter of 2016 was PLN 409 thousand and was lower by PLN 255 thousand than the income tax for the corresponding period of the preceding year. The Company's net profit for the period from 1 January 2016 to 31 March 2016 was PLN 2,918 thousand and was higher by PLN 411 thousand than the net profit for the corresponding period of the preceding year.

At the end of the first quarter of 2016, the Company's balance sheet total was PLN 857,218 thousand and was lower by PLN 75,071 thousand than the balance sheet total at the end of 2015.

The fixed assets increased slightly, i.e. by PLN 1,431 thousand, and were PLN 634,220 thousand. In comparison with their balance as of 31 December 2015, the current assets decreased by PLN 76,502 thousand, i.e. by 25.5%, and were PLN 222,998 thousand. In the first quarter of 2016, the balance of cash and cash equivalents decreased by PLN 93,017 thousand, i.e. by 68.4%. They were PLN 43,008 thousand as of 31 March 2016. It was caused by payments made to subcontractors. The high level of cash as of 31 December 2015 resulted from the significant payment made by PKP PLK S.A. of the accounts due at the end of 2015. The inventories increased by PLN 12,292 thousand, i.e. by 39.3%, and were PLN 43,575 thousand as of 31 March 2016.

As of 31 March 2016, the equity of the Company increased by PLN 3,355 thousand in comparison with its balance as of 31 December 2015.

The long-term liabilities decreased by PLN 3,308 thousand in comparison with their balance as of 31 December 2015 and were PLN 57,219 thousand as of 31 March 2016. The short-term liabilities were PLN 183,317 thousand and decreased by 29.1%, i.e. by PLN 75,118 thousand, as compared to their value at the end of the previous year. The largest decrease was experienced by the trade liabilities and other liabilities, which were PLN 120,627 thousand and dropped by PLN 61,771 thousand, i.e. by 33.9%.

At the beginning of 2016, the Company's cash was PLN 136,025 thousand, while at the end of the 3-month period it was PLN 43,008 thousand. The net cash flow for the first 3 months of 2016 was negative and amounted to PLN 93,017 thousand, which means that it decreased by PLN 103,630 thousand in comparison with the corresponding period of 2015. The cash flows from investment and financial activities were also negative and amounted to, respectively, PLN 905 thousand and PLN 3,938 thousand.

2. Cyclical and seasonal character of activity

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

3. Additional information to the cash flow statement

	31.03.2016	31.12.2015
	<i>Unaudited</i>	<i>Audited</i>
Cash in hand	37	52
Cash at bank	2 105	1 495
Other cash - deposits	39 940	133 550
Other cash -escrow	926	928
Total cash and cash equivalents	43 008	136 025
Cash and cash equivalents excluded from cash flow statement	-	-
Cash and cash equivalents presented in cash flow statement	43 008	136 025

4. Contingent receivables and liabilities

Contingent receivables and liabilities are presented in the below table:

	31.03.2016	31.12.2015
	<i>Unaudited</i>	<i>Audited</i>
Contingent receivables		
From related entities due to:	97 131	94 664
Received guarantees and sureties	90 541	89 162
Bills of exchange received as collateral	6 590	5 502
Total contingent receivables	97 131	94 664
Contingent liabilities		
To related entities due to:	-	809
Provided guarantees and sureties	-	809
To other entities due to:	2 176 352	2 269 160
Provided guarantees and sureties	362 916	394 038
Promissory notes	431 350	439 152
Mortgages	99 000	99 000
Assignment of receivables	1 188 573	1 238 501
Assignment of rights under insurance policy	41 594	41 586
Deposits	16 168	20 140
Other liabilities	36 751	36 743
Total contingent liabilities	2 176 352	2 269 969

Contingent liabilities resulting from granted guarantees and sureties to other entities are mainly guarantees granted by the banks for the contracting parties of the Group's companies as collateral of their claims against the Group resulting from execution of construction contracts (guarantee of good performance, removal of defects and damages, and reimbursement of advance payment). The banks are entitled to back claims against the companies of the Group. Promissory notes constitute another form of collateral of bank guarantees, as stipulated above.

Apart from the conditional receivables and liabilities mentioned above, the Group as at March 31, 2016 possessed conditional receivables in amount of PLN 1,474 thousand resulting from the signed employment contracts with its employees. In the event of a manager's failure to comply with his or her duties defined in Art. 1 of the Non-Compete Agreement, this manager will pay, immediately and without a termination notice or any demand from the Company, the penalty in favor of the Group for the amount in PLN equivalent of EUR 25,000 for each instance of infringement and an amount in PLN equivalent of EUR 1,000 for each day in which such an infringement takes place or is continued.

The conditional liabilities resulting from the signed employment contracts with its employees, as at March 31, 2016, amounted to PLN 6,231 thousand.

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

Jarosław Tomaszewski

President of the Board

Paweł Nogalski

Vice President of the Board

Marek Kacprzak

Vice President of the Board

Nerijus Eidukevičius

Vice President of the Board

Sławomir Raczyński

Vice President of the Board

Person responsible for preparing the financial statement:

Sławomir Krysiński

Head of Financial Reporting Trakcja Group

Warsaw, May 16, 2016