TRAKCJA PRKiI S.A.

ANNUAL REPORT

TRAKCJA PRKiI S.A.

FOR THE YEAR ENDED 31 DECEMBER 2013

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

Warsaw, March 2014

Contents of the annual report:

Ladies and Gentleman

On behalf of the Management Board of Trakcja PRKiI S.A. I thank shareholders and investors for their trust. We are certain that activities conducted during the past year had positive influence on achieved results.

2013 was a very special year – a year of important decisions and great changes, thanks to which the Trakcja PRKiI Group strengthened its position and became the leading participant of the railway construction market in Poland. During the past 12 months we executed key goals set at the beginning of the year, such as: raising the capital and reducing debt, obtaining new financing, organizational restructuring, and entry on the railway construction market of our Lithuanian company, AB Kauno Tiltai.

Reorganization took place at the company, thanks to which the process of contract execution was improved, organizational structure was simplified, and a modern management-support IT system was implemented.

Undoubtedly an important event was the December merger of Trakcja S.A. and its subsidiary Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. based in Wrocław. As a result of registering the merger by the National Court Register on 19 December 2013, Trakcja PRKiI S.A. became the key entity of railway construction in Poland.

The most important direct effect of the merger of companies is creation of an entity with huge executive and financial potential. Thanks to the consolidation, we also achieved greater synergy in management, simplification of organizational structure, unification of business processes, and better reliability in relation to the financial sector.

At the end of 2013, Trakcja PRKiI S.A. generated operating profit increased by amortization (EBITDA) in the amount of PLN 38 344 thousand, and net profit at the level of PLN 26 220 thousand.

Whereas Trakcja PRKiI Group, at the end of 2013 generated operating profit increased by amortization (EBITDA) in the amount of PLN 73 616 thousand and net profit of PLN 37 916 thousand.

We can say with satisfaction that the last year brought growth of sales and margin improvement. We also reported net profit higher than a year ago. Improvement of results was affected by factors such as: organizational restructuring, new contracts, entry on the market of Kauno Tiltai, and changes in real estate management.

During the last year we obtained almost PLN 1.2 billion of new contracts, and our contracts portfolio maintains at the level of over PLN 3 billion.

It is also worth noting that company shares have very good listing and attract new important institutional shareholders, such as OFE PZU. Attractiveness of shares translates to a higher turnover volume and new investors allow maintaining their price level. The company's market capitalization in 2013 increased almost four times. At the end I would like to underline a fundamental issue. In the light of the crisis and increasing problems of construction companies, Trakcja PRKiI S.A. regularly obtains new staff taking account of executed investment tasks and further development of the company. A priority for the Management Board is to ensure a feeling of safety and stability of employment to our staff, in the light of changes occurring in the Group. We all take account of the fact that the changes drive each development. We make all efforts so that Trakcja PRKiI Group is an attractive employer that takes care of its staff and a reliable entrepreneur on the market.

Above activities allow believing in further improvement of results and increase of the market value of Trakcja PRKiI, and we wish this to you and ourselves.

With kind regards,

Roman Przybył

President of the Board

Trakcja PRKiI S.A.

TRAKCJA PRKiI

THE MANAGEMENT BOARD'S REPORT ON TRAKCJA PRKiI S.A. ACTIVITIES IN 2013

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

This Management Board Report on Trakcja PRKiI S.A. activities in 2013 is prepared in accordance with § 91 of the Regulation of the Minister of Finance dated 19 February 2009 on the current and periodic disclosures to be made by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2014, item 133).

TABLE OF CONTENTS

Any figures provided in this Report on the Activities of the Issuer are presented in thousands of Polish zlotys, unless explicitly stated otherwise. The financial information contained in this report have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union issued and effective as at December 31, 2013. We would like to draw special attention to statements relating to the future (such as may, will, expect, believe estimate) because they are based on certain assumptions that involve risks and uncertainties. Company therefore does not bear any responsibility for this information.

1. Economic activity of Trakcja PRKiI S.A.

Trakcja PRKiI S.A. (the "Company", "Issuer") is one of the leading players on the Polish rail infrastructure construction market.

The main scope of activity of the Company is the organization and completion of construction and installation works within the comprehensive construction and modernization of the (railway and tram) railroads. We do earthworks related to the modernization or construction of railroad bed with the reconstruction of engineering structures (culverts, bridges, viaducts, etc.), works related to the construction or replacement of road surfaces (track-ways). In addition, we ,,perform comprehensive services for the construction of electric traction power supply systems and the construction and modernization of the traction network. An important element of offer is buildings' construction, both for the railway infrastructure (buildings of traction substations, movement control stations, railway crossing stations, railway stations, railway halls and others) as well as general (residential and office) construction industry. An addition to services is the construction of power systems and remote control systems. Since over fifty years the company has completed comprehensive medium - and recently also high-voltages installations, in both new and modernized and refurbished railway station power facilities.

The Company performed the modernization of several thousand km of railways and electrified more than 10 000 km of railway lines, built and modernized over 450 traction substations and 380 track sectioning cabins. At present, the Company is participant in the modernization of railway lines within the project of adjustment of the Polish railway infrastructure for the integrated communication system introduced in the European Union.

The sixty years market practice has allowed us to develop high-quality orders performance systems which are highly appreciated by the Partners, as they allow us to maintain security of further operation of the infrastructure build or refurbished by us, as well as use of the equipment produced by the Company.

Given the high quality importance of the products produced by the company we make sure that products meet the required quality standards, which is confirmed by numerous certifications we hold, which include among others: "Certificates of eligibility to use the systems and products in the PKP (Polish State Railways) company" and "Certificates of acceptance for use by PKP" issued by the Centrum Naukowo-Techniczne Kolejnictwa (Railway Scientific and Technical Centre) ("CNTK"), as well as certificates of the Institute of Electrical Engineering.

Long-standing market experience has allowed us to develop techniques for managing the projects under implementation which provide us with the possibility to perform the works entrusted to us and meet the established schedules, while maintaining the required quality and the special requirements of the investors.

Most of the projects pursued by the Company is financed, among others, from European Union funds and the Polish government's subsidies, within performances in case of which strict adherence to EU procedures is required, which further affects the quality of services and products.

1.1. Types of products and services

Comprehensive modernization of railway lines

Modernization of railway lines includes:

- developing and agreeing on concepts for all industries involved, developing building design detailed documentation along with obtaining all permits and approvals, and developing as-built documentation,
- replacement of railroad bed and track surface using mechanized railroad bed and track harvesters including drainage system construction,
- removal of traction network including removal of all the old foundations and construction of a new traction network using modern methods of foundation construction including the piling method and using trains for flow rewiring,
- refurbishment or complete reconstruction of engineering structures: culverts, bridges, viaducts,

- construction of railway line the power supply system,
- comprehensive modernization of the railway crossings (intersections of roads with railway lines),
- reconstruction of the rail traffic control system,
- preparation of lands for construction,
- building entire constructions or parts thereof,
- completing construction installations, land and rail ways construction engineering works,
- construction of overhead and underground power lines
- construction of network performance of railway and tram electric traction network and water engineering works.

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

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

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

Buildings' construction

The buildings' construction is implemented by Trakcja S.A. company includes:

- multi-family housing,
- public utility buildings.

1.2. Material agreements for construction services

Most important contracts recently performed by the Company include:

- Design works and construction works concerning modernization of a contact line at the section Kozłów – Starzyny, executed within the scope of a task entitled Modernization of the Railway Line No. 64 Psary – Kozłów, valued at PLN 15 million;
- Modernization of the contact line at the section Szeligi – Idzikowice, track no. 1 and 2 of the railway line No. 4 (CMK) Grodzisk Mazowiecki – Zawiercie, valued at PLN 24.7 million;
- Construction of a trolleybus traction drive and power feed, including construction of the sub-station "Kolejarz", and reconstruction of road lighting on the streets: Unii Lubelskiej, Podzamcze, Unicka, and modernization of the intersection: ul. Unicka – ul. Lubartowska – ul. Obywatelska – Al. Spółdzielczości Pracy in Lublin, valued at PLN 13 million;
- Modernization of the railway line no. 358 at the section Zbąszynek-Czerwieńsk, including a construction of railway junction Pomorsko-Przylep bypassing the Czerwieńsk station – stage I, valued at PLN 57.6 million.

In 2013, the Company continued mainly large contracts from previous years.

Currently, the Company continues a contract connected with designing and performance of construction works at the railway line Kraków – Medyka – state border, section Podłęże - Bochnia at km 16.000 – 39.000, valued at PLN 625 million; contract for modernization of line no. 9 at the section from km 236.920 to km 287.700 covered by the Steering Centre in Malbork valued at PLN 869 million (including a conditional amount); a contract connected with designing and performance of a reconstruction of the Łódź Widzew station and a part of the route Łódź Fabryczna – Łódź Widzew at km 2.250 – 7.200 along with an SRK device (rail traffic steering device) and telecommunications for the entire section Łódź Fabryczna – Łódź Widzew, and modernization the derouting line Łódź Widzew – Łódź Chojny – Łódź Kaliska valued at PLN 242 million; a contract for modernization of the railway line no. E30 stage II section Zabrze-Katowice-Kraków – tender 1 – modernization of the section Jaworzno Szczakowa-Trzebinia (at km 15.810-29.110 line no. 133) - Jaworzno Szczakowa - Sosnowiec Jęzor (at km 0.00-6.847 line 134) valued at PLN 300 million; a contract for the modernization of the railway line E 30 at the section Sędziszów Małopolski – Rzeszów Zachodni at km 133.600 – 154.900 valued at PLN 299 million; a contract for modernization of the railway line E30 at the section Dębica – Sędziszów Małopolski at km 111.500 – 133.600 valued at PLN 415 million; a contract for basic construction works at the railway line section

Wrocław-Grabiszyn-Skokowa and Żmigród – border of Dolnośląskie voivodship within the project "Modernization of the railway line no. E 59 at the section Wrocław - Poznań", stage II – section Wrocław – border of Dolnośląskie voivodship valued at PLN 525 million; and is completing a contract connected with modernization of the railway line E65/C-E65, Warszawa – section Gdynia – area LCS Działdowo valued at PLN 783 million (including a conditional amount).

Significant construction contracts signed by the Company during 2013:

Agreement date	Client	Net amount (kPLN)	Subject of agreement
6.02.2013	Łódzka Kolej Aglomeracyjna Sp. z o.o.	55 245	Design and construction of technical infrastructure
19.03.2013	PKP Energetyka S.A.	33 351	Framework agreement for the supply of switchgear 3 kV DC
2.04.2013	PKP PLK S.A.	88 859	Development of design documentation and execution of works for the task "Rewitalizacja linii kolejowej nr 144 na odcinku Fosowskie-Opole"
30.07.2013	PKP PLK S.A.	59 760	Reconstruction of the station Arrows, implemented as part of a project titled. "Modernization of the railway line No. 4 Central Trunk Railway"
31.07.2013	PKP Polskie Linie Kolejowe S.A.	24 220	Work related to the revitalization of the railway line No 144 on the section Fosowskie Opole-electrification of Line 144 on the section Fosowskie Opole

- On 25 July 2013, the Company, operating as the leader of the consortium “Konsorcjum Trakcja Polska”concluded with PKP Polskie Linie Kolejowe S.A. seated in Warsaw an annex to the agreement concluded on 31 May 2010 by the consortium with the contracting authority for construction works in regard to complex modernization of the station and the routes within the area of LCS Działdowo (local steering centre), within the scope of the POIiŚ 7.1-41 project entitled: “Modernization of the E 65/C-E 65 railway line at the section Warsaw – Gdynia – LCS Działdowo area”. Pursuant to the annex, material conditions of the agreement changed in such manner, so that the date of completion of the works was agreed as 40 months from the date of commencement of the works pursuant to the conditions of the agreement, and the date of preparation and submission of the as-built documentation and conducting the acceptance procedure was set at 41 months from the date of commencement of the works pursuant to the conditions of the agreement.
- The Management Board of Trakcja S.A. informed on October 7, 2013 that the Company concluded annex to the Agreement for construction works for the modernisation of line no. 9 in the section from 236,920 km to 287,700 km included in the Local Control Centre located in Malbork under the Project: No. POIiŚ 7.1-1.3 "Modernisation of railway line E 65/ C-E 65 on the Warsaw - Gdynia section, LCC Ilawa, LCC Malbork", about which the Company informed in current report no. 35/2011 dated May 27, 2011. The subject of the above-mentioned annexes to the agreement shall be extension of deadline for the construction works as mentioned in the agreements by 9 months.
- Trakcja PRKiI in the result of a merger of PRKiI S.A. ("PRKiI") under an agreement signed by the PRKiI on 6 November 2013 overtook rights and obligations of Przedsiębiorstwo Napraw Infrastruktury spółka z o.o. in arrangement bankruptcy, resulting from the agreement no. PNI – T4 – 35/2011 – ENERGETYKA of 31 August 2011, to which PKP Energetyka S.A. was a second party. The agreement concerns basic line construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of Dolnośląskie Voivodeship, within the project POLiŚ 7.1. – 4 "Modernization of the railway line E59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of Dolnośląskie Voivodeship”. Initial total net value of the agreement was PLN 84 903 164.57. As at the date of signing the agreement, the total net value of the agreement is PLN 51 983 818.60.

1.3. Structure of Sales

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

	2013		2012	
	value	%	value	%
Railway works	839 025	84,9%	646 265	81,4%
Road works	-	-	8 835	1,1%
Bridge works	74 573	7,5%	61 442	7,7%
Tramway works	-	-	23 092	2,9%
Production	29 238	3,0%	3 362	0,4%
Other areas of activity	45 077	4,6%	50 826	6,5%
Total revenues from sales	**987 913**	**100,0%**	**793 822**	**100,0%**

1.4. Marketing areas and sources of supply

Sale of the Company's products in 2013 was executed on the domestic market.

The Company's main customer was PKP Polskie Linie Kolejowe S.A. company, other customers were: PKP Energetyka S.A., PGE Dystrybucja S.A. and FCC Construccion S.A.

Structure of the customers shows that The Company is still heavily dependent on PKP PLK S.A., which held approx. 91,3% of direct share in sales revenue in 2013. Since the beginning of the Company, it has been its main client within the structure of customers. PKP PLK S.A. company is not formally associated with the Issuer. While, second biggest ordering party held approx. 4.8 percent of shares within the revenues structure in the same year.

The structure of suppliers, during the analyzed period, shows that the Company is not dependent on any of the contractors. In 2013, no share of any single supplier equalled or exceeded 10 percent of the value of materials and services purchased by the Issuer. The shares of the Issuer’s key suppliers in the total value of materials and services purchased by the Company were respectively 7.3 percent and 6.8 percent.

The railway investment projects that were planned for implementation in the years 2013 - 2014 can be divided into two groups:

- projects of supra-regional (international and national) significance;
- projects of regional significance.

The first group’s investment projects are the main tasks, planned in first place for implementation because of their high priority for the economic development of the country. While the second group’s investment projects have a supplementary nature. They shall include the connections of a regional nature, transporting passengers and cargo to major centers or main lines.

2. Current and forecasted situation of Trakcja PRKiI S.A.

2.1. Financial results in 2013

2.2. Profit and loss account overview

PROFIT & LOSS ACCOUNT 1.01.2013-31.12.2013	1.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012 Modified	Change	Change %
Sales revenues	987 913	793 822	194 091	24%
Cost of goods sold	(945 063)	(800 136)	(144 927)	18%
Gross profit on sales	**42 850**	**(6 314)**	49 164	779%
Cost of sales, marketing and distribution	(2 741)	(2 741)	-	0%
General and administrative costs	(28 363)	(30 291)	1 928	-6%
Other operating revenues	18 546	5 121	13 425	262%
Other operating costs	(2 087)	(3 556)	1 469	-41%
Operating profit	**28 205**	**(37 781)**	65 986	175%
Financial revenues	3 616	3 738	(122)	-3%
Financial costs	(15 147)	(19 183)	4 036	-21%
Gross profit	**16 674**	**(53 226)**	69 900	131%
Income tax	(9 546)	4 910	(14 456)	-294%
Net profit for the period	**26 220**	**(58 136)**	84 356	145%

In 2013, Trakcja PRKiI generated revenues of PLN 987,913k and they were by 24 percent lower than in the preceding year.

In the analysed period, the cost of goods sold increased by 18 percent and was PLN 945,063k In the said period, the gross margin on sale was 4.3 percent and in the analogous period it was -0.8 percent. In 2013, the gross profit on sales was PLN 42,850k.

In 2013, the general and administrative costs decreased by PLN 1,928k, i.e. by 6 percent, as compared to the preceding year. In the analysed period, the selling costs and the marketing and distribution costs were PLN 2,741k – the same as in the preceding year.

The balance of other operating activities was by PLN 14,894k higher than in the comparable period mainly due to the fact that in 2013 the Company recognized: a profit from redeemed liability in the amount of PLN 6,225k.; fair value adjustment of investment property in the amount of PLN 4,148k and a profit on sale of land situated near Oliwska stree and land situated near Górczewska street classified as fixed assets.

In 2013, the profit on operating activities was PLN 28,205k, while in the preceding year there was loss of PLN 37,781k.

In the 12-month period ended 31 December 2013, the Company's financial revenues were PLN 3,616k and were by 3 percent lower than in the preceding year.

In the analysed period, the financial expenses were by PLN 4,036k lower than in the comparable period mainly due to the fact that in 2013 the debt from bonds series A and B was lower than in 2012 and therefore the interest on bonds was lower too.

In the analysed period, the Company incurred a gross profit of PLN 16,674k versus a gross loss of PLN 53,226k in the preceding year. The main effect on the difference between the results of the Company had contractual activity, which was reflected in gross profit.

In 2013, the Company incurred a net profit of PLN 26,220k and net profit margin of 2.7 percent. By comparison, in 2012 the Company's net profit margin was -7.3 percent.

2.3. Balance sheet items overview

The below table shows the main items of Trakcja PRKiI S.A. company's balance sheet as of 31 December 2013, compared to the situation as of 31 December 2012:

ASSETS	31.12.2013	31.12.2012 Modified	1.01.2012 Modified	Change 2013 vs 2012	Change %
Non-current assets	**607 954**	**599 534**	**569 982**	**8 419**	1%
Tangible non-current assets	102 643	103 775	95 815	(1 132)	-1%
Intangible assets	59 085	58 296	57 111	789	1%
Investment properties	25 699	11 122	9 218	14 577	131%
Investments in other units	385 297	386 635	389 286	(1 338)	0%
Other financial assets	8 259	19 754	69	(11 495)	-58%
Deferred tax assets	26 090	17 711	15 963	8 379	47%
Accruals	881	2 241	2 520	(1 360)	-61%
Current assets	**542 330**	**272 087**	**514 772**	**270 243**	99%
Inventory	42 191	38 432	35 742	3 759	10%
Trade and other receivables	420 897	126 418	308 563	294 479	233%
Income tax receivables	1 849	586	145	1 263	215%
Other financial assets	24 491	7 019	5 198	17 472	249%
Cash and cash equivalents	33 744	48 763	108 097	(15 019)	-31%
Accruals	3 841	4 101	5 109	(260)	-6%
Construction contracts	15 317	46 768	51 918	(31 451)	-67%
Total assets	**1 150 284**	**871 621**	**1 084 754**	**278 662**	32%

LIABILITIES	31.12.2013	31.12.2012 Modified	1.01.2012 Modified	Change 2013 vs 2012	Change %
Equity	**537 603**	**411 062**	**472 528**	**126 541**	31%
Share capital	41 120	23 211	23 211	17 909	77%
Basic conditional capital	-	18 545	-	(18 545)	-100%
Due payments for basic capital (negative value)	-	(18 545)	-	18 545	-100%
Share premium account	310 102	231 813	231 596	78 289	34%
Revaluation reserve	14 945	9 504	11 704	5 441	57%
Other capital reserves	145 216	204 670	188 643	(59 454)	-29%
Retained earnings	26 220	(58 136)	17 374	84 356	145%
Total liabilities	**612 681**	**460 559**	**612 226**	**152 122**	33%
Long-term liabilities	**98 051**	**64 448**	**205 310**	**33 603**	52%
Interest-bearing bank loans and borrowings	19 260	22 064	21 923	(2 804)	-13%
Bonds	49 926	12 913	160 040	37 013	287%
Provisions	1 223	1 052	759	170	16%
Liabilities due to employee benefits	9 227	8 854	8 849	373	4%
Provision for deferred tax	18 271	19 565	13 739	(1 294)	-7%
Detrivative financial instruments	144	-	-	144	0%
Short-term liabilities	**514 630**	**396 111**	**406 916**	**118 519**	30%
Interest-bearing bank loans and borrowings	106 683	25 127	77 780	81 556	325%
Bonds	-	147 761	5 695	(147 761)	-100%
Trade and other liabilities	329 815	196 502	260 572	133 314	68%
Provisions	11 637	5 253	3 232	6 383	122%
Liabilities due to employee benefits	6 633	6 030	5 974	603	10%
Other financial liabilities	34 718	-	-		-
Accruals	6	-	-	6	-
Construction contracts	25 138	15 438	53 663	9 700	63%
Advances received towards flats				-	0%
Total equity and liabilities	**1 150 284**	**871 621**	**1 084 754**	**278 663**	32%

As of 31 December 2013, the total assets of Trakcja PRKiI were PLN 1,150,284k and were by PLN 278,663k higher than as of the end of 2012 (a increase of 32 percent).

The fixed assets were PLN 607,954k and increased slightly, i.e. by 1 percent, as compared to the preceding year. The assets that increased the most were the investment property. They increased by PLN 14,577k as a result of changes in accounting policy on valuation of investment properties at fair value and changes the purpose of certain fixed assets.

As of 31 December 2013, the current assets were PLN 542,330k and were by PLN 270,243k higher than as of 31 December 2012 (a increase of 99 percent). The current assets, whose balance changed the most, were the trade receivables that increased by 233 percent to PLN 420,897k. In the analysed period, the cash decreased by PLN 15,019k to PLN 33,744k and the inventories increased by 10 percent to PLN 42,191k. The short-term financial assets increased to PLN 24,491k and their balance as of the end of the comparable period was PLN 7,019k. The increase in the short-term financial assets was due to reclassification of loans granted from long-term to short-term part.

As of the end of 2013, the Company's equity was PLN 537,603k and was by PLN 126,541k higer than as of 31 December 2012. This increase was mainly due to an increase in the share premium resulting from the conversion of bonds into shares and the share capital increase.

As of 31 December 2013, long-term liabilities amounted to PLN 98,051k and increased by PLN 33,603k compared to the end of 2012. This increase is due to bonds debt restructuring and postponing the maturity of bonds to 2015. The value of long-term interest-bearing loans and borrowings decreased by PLN 2,804 and reached a level of PLN 19,260k.

As of 31 December 2012, the short-term liabilities were PLN 514,630k and increased by PLN 118,519k , ie by 30% compared to the end of last year. This increase is due to the high level of trade payables (similarly increased trade receivables on the asset side) due to the long construction season being a result of favorable weather conditions and high billing at the end of the year for work done in December.

2.4. Cash flow statement overview

The below table shows the main items of the Trakcja PRKiI Company's cash flow in the years ended 31 December 2013 and 31 December 2012:

CASH FLOW ACCOUNT	31.12.2013	31.12.2012 Modified	Change 2013 / 2012	Change %
Cash at start of period	**48 763**	**108 097**	**(59 334)**	-55%
Net cash flows from operating activities	(59 150)	57 612	(116 762)	-203%
Net cash flows from investment activities	(3 144)	(37 698)	34 554	92%
Net cash flows from financial activities	47 275	(79 248)	126 523	160%
Total net cash flows	**(15 019)**	**(59 334)**	**44 315**	75%
Cash at end of period	**33 744**	**48 763**	**(15 019)**	-31%

At the beginning of 2013, the Company's cash was PLN 48,763k and at the end of 2013 its cash was PLN 33,744k. In the analysed period, the total net cash flows of PLN 15,019 were negative.

In 2013, the net cash flows from operating activities of PLN -59,150k were negative. They declined compared to the same period last year by PLN 116,762k. The main impact on the negative balance from operating activities was an increase in accounts receivable during the period.

In 2013, the net cash flows from investment activities of PLN -3,144k were negative, while in 2012 their negative balance was PLN -37,698k. The reason for the negative balance in investing activities in 2013 was the increase in financial assets in the form of bank guarantees.

In 2013, the net cash flows from financial activities of PLN 47,275k were positive. The positive balance resulted mainly from the rincrease of loans and credits in the amount of PLN 76,188k in the analysed period.

2.5. Profitability ratios overview

The gross profit margin on sales decreased to 4.3% in 2013 against -0.8% in the corresponding period last year. The operating profit plus depreciation increased by PLN 63,993k reaching a value of PLN 38,344k, while the EBITDA margin increased by 7.1 p.p. reaching a level of 3.9%. The operating profit margin increased by 7.7 p.p. and reached 2.9%. The net profit margin, during the analyzed period, reached 2.7%.

The ratio reflects the return on capital employed in the company - ROE reached a value of 5.5%. The profitability ratio of turnover - ROA amounted to 2.6% and increased compared to the comparable period by 8.5 p.p.

PROFITABILITY RATIOS	31.12.2013	31.12.2012 Modified
Gross sales profit margin	4,3%	-0,8%
EBITDA	38 344	(25 649)
EBITDA profit margin	3,9%	-3,2%
Operating profit margin	2,9%	-4,8%
Net profit margin	2,7%	-7,3%
Return on equity (ROE)	5,5%	-13,2%
Return on assets (ROA)	2,6%	-5,9%

These ratios were calculated using the following formulas:

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

EBITDA = operating profit + depreciation

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

Operating profit margin = operating profit / revenues on sales

Net profit margin = net profit / revenues on sales

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

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

2.6. Major investments and equity investments

By virtue of the Resolution No. 5 of the Extraordinary General Meeting of Shareholders dated 12 December 2012, the share capital of Trakcja PRKiI S.A. was conditionally increased by the maximum amount of PLN 18,545,436. The share capital is to be increased by way of issuing the maximum of 185,454,360 ordinary bearer H-shares with the nominal value of PLN 0.10 each. The share capital is to be increased by way of issuing H-shares upon the exercise by the holders of convertible bonds their right to acquire H-shares (the holders of registered bonds will have the right to convert such bonds into ordinary bearer H-shares). The right to acquire H-shares is to be exercised within the conversion period by 31 March 2013. On 21 December 2012, the District Court of the City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, entered the change involving the conditional increase in the share capital into the register.

2.7. Information on the issue of securities in the reporting period and description of the use of proceeds from the issue

In 2013, Trakcja PRKiI issued :

- 29,529 secured bonds series C with a total nominal value of PLN 29,529k ;

- 197 D series bonds with a total nominal value of PLN 98,500k convertible into ordinary shares of Series H issued by the Company under its conditional capital ;

- 20,921 unsecured bonds series E with a total nominal value of PLN 20,921k.

The bonds were offered to the procedure specified in Art. 9 paragraph . 3 of the Act on Bonds. Offer to purchase bonds did not constitute a public offering within the meaning of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies .

The bond issue was made in order to change the structure of financing, the postponement of the bonds maturity and reduce the debt arising from the issue of ordinary bonds series A and B, due for redemption in 2013 and 2014. The company propose the offer to purchase bonds to selected investors , in particular to current bondholders holding bonds series A and B.

Debt restructuring of the Company in respect of ordinary bonds series A and B occurred in the following forms :

- cash payment of portion of liability , including accrued interest in full ;

- conversion of debt into equity (through the issuance of Series D convertible bonds) ;

- postponement of debt repayment to December 31, 2015 (by issuing bonds series C and series E).

Until March 31, 2013, all bonds series D were converted into ordinary shares, Series H. As of December 31, 2013 , the Company had the following bonds :

Bond series	Issue date	Maturity date	Nominal value of 1 bond (in PLN)	Series nominal value (in ths. PLN)
C	31.01.2013	31.12.2015	1 000	29 529
E	31.01.2013	31.12.2015	1 000	20 921

2.8. Evaluation of the financial resources the management

Trakcja PRKiI S.A. Company disposed at the end of 2013 of funds in the amount of PLN 33,744k with a total financial debt due to loans, leasing, factoring and bonds in the amount of PLN 210,587k. The company maintains a safe level of both external financing and liquidity.

2.9. Trakcja PRKiI S.A. financial ratios

2.9.1. Liquidity Ratios

As of 31 December 2013, the Trakcja's working capital of PLN 27,700k was positive, while at the end of 2012 its negative balance was PLN -124,024k. The increase in the working capital resulted mainly from the increase in trade receivables

due to the high billing at the end of the financial year ended 31 December 2013, exceeding the change in trade payables.

As of the end of 2013, the current ratio was 1.05 and was by 0.36 pp higer than as of the end of the preceding year. The quick ratio was 0.93 and was by 0.47 pp higher than as of the end of 2012. The cash ratio was 0.07. The improvement in current and quick ratio was caused by an increase in trade receivables described above and the fact that the indicators in 2012 included the impact of short-term bonds in the amount of PLN 147,761.

LIQUIDITY RATIOS	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Working capital	27 700	(124 024)	107 856
Current ratio	1,05	0,69	1,27
Quick ratio	0,93	0,46	1,04
Cash ratio	0,07	0,12	0,27

These ratios were calculated using the following formulas:

Working capital = current assets - current liabilities

Current liquidity ratio = current assets / short-term liabilities

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

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

2.9.2. Financial structure ratios

Ratio of coverage of assets with equity did not change during the 12 months ended 31 December 2013 and reached the level of 0.47. The fixed assets to equity ratio increased from 0.69 as of the end of 2012 to 0.88 as of 31 December 2013. In 2013, the total debt ratio amounted as of the end of 2013 to 0.53. The debt to equity ratio increased from 1.12 as of the end of 2012 to 1.14 as of the end of 2013.

FINANCING STRUCTURE RATIOS	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Equity to assets ratio	0,5	0,5	0,4
Equity to non-current assets ratio	0,9	0,7	0,8
Debt ratio	0,5	0,5	0,6
Debt to equity ratio	1,1	1,1	1,3

These ratios were calculated using the following formulas:

Coverage of assets with equity = equity / total assets

Coverage of fixed assets with equity = equity / fixed assets

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

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

2.10 Hedging transactions

The Company's activity in 2013 was not significantly exposed to currency fluctuations. All agreements performed in 2013, are the agreements whose value is expressed in PLN. In order to limit the potential currency risk the Company implements a policy of the exchange rate hedging by buying currency futures contracts. The Company hedges the currency risk immediately after receiving information on being awarded the tender, whose value is denominated in foreign currency. The Company does not use hedge accounting due to the shift in the schedules of the construction works and delays in payments by customers. The fluctuations in the currency market imposed on shifts of the payments in EUR realized by customers can cause both negative and positive effects referred directly to the Company's financial results. Profits and losses determined on the settlement date are recognized in the profit and loss account as part of sales revenue (the losses reduce the sales revenue). The Company during the reporting period concluded interest rate swap (IRS) to hedge the risk of interest rate changes.The Company does not apply hedge accounting in the reporting periods covered by the report to the above. IRS contract was valued at fair value through profit or loss. In 2013, the valuation of derivatives recognized in the income statement amounted to PLN 144k.

2.11 The Management Board standpoint regarding the previously published financial forecasts of Trakcja PRKiI S.A.

Trakcja PRKiI S.A. company did not publish financial forecast for the year 2013.

2.12 Evaluation of possibility of realization of the investment projects, including capital investments

In 2014, Trakcja PRKiI S.A. has no plans to substantially increase the level of investment into fixed assets compared to last year. As a result of incurring significant expenditure in the previous year, Trakcja PRKiI S.A. is properly equipped with construction equipment.

2.13 Material events after the balance sheet date

Construction works contracts:

- On 14 January 2014, Trakcja PRKiI S.A. concluded with FCC Construcción S.A. ("FCC") an annex to the Subcontracting Agreement no. U/07C/012/13 of 15 April 2013. Pursuant to the Annex, the scope of works was increased as well as the value of the object of the agreement by PLN 35 352 344.00 net up to approximately PLN 53 179 941.20 net. The works completion date was set at 21 September 2015.
- On 28 February 2014, the Management Board of Trakcja PRKiI S.A. informed that during the last 12 months the Company concluded with PKP Polskie Linie Kolejowe S.A. agreements with the total value of PLN 64 279 588.58 net. The agreement with the highest value is the contract concluded on 28 February 2014 between the Company and PKP PLK S.A. for the performance of a supplementary contract consisting in design and construction works at the Łódź Widzew railway station from km 4,100 to km 7,2000 of the railway line no. 17 within the project POIiŚ 7.1-24.2 entitled "Modernization of the railway line Warszawa – Łódź, stage II, Lot B – section Łódź Widzew-Łódź Fabryczna including Łódź Fabryczna station, and construction of the underground part of the Łódź Fabryczna railway station serving for train check-in and check-out and passenger handling." The net value of the Agreement is PLN 15 469 388.14. The object of the Agreement is the performance of design and construction works at the Łódź Widzew station from km 4,100 to km 7,2000 of the railway line no. 17. The deadline for completion of works was set as 30 September 2015.
- On 13 March 2014 the Company received an annex to the agreement no. 90/132/281/00/11000838/10/I/I of 2 November 2010 for Design and performance of construction works at the railway line Kraków – Medyka – state border at the section Podłęże – Bochnia at km 16,000 – 39,000 within the project "Modernization of the railway line E 30/C-E 30, section Kraków – Rzeszów, stage III"; the Company notified about the agreement in the current report no. 34/2010 of 3 November 2010. Pursuant to the annex, the parties changed the date of performance of the agreement to 11 February 2015. The initial performance date was 40 months from the date of commencement of works, no later however than 31 January 2014. On 14 March 2014, another annex to the aforementioned agreement was concluded, changing the total net value of the agreement to PLN 583 308 849.27.
- On 17 March 2014 Trakcja PRKiI concluded a subcontracting agreement with Pomorskie Przedsiębiorstwo Mechaniczno-Torowe Sp. z o.o. in Gdańsk for the performance of track and dewatering works within the scope of the agreement for design and modernization of the railway line Warszawa - Łódź, stage II, section Warszawa Zachodnia – Miedniewice (Skierniewice) within the project POIiŚ 7.1 – 24.1 "Modernization of the railway line Warszawa – Łódź, stage II, Lot A – section Warszawa Zachodnia - Skierniewice". The amount of remuneration was set at PLN 77 710 780.90 net. The deadline for completion of works was set at 31 December 2014.

Other important events:

- On 10 March 2013, the Company received a decision of the Regional Court in Warsaw on closure of proceedings brought by the Company's shareholder – a natural person – against the Company for declaration of invalidity of resolutions passed on 12 December 2012 at the Extraordinary Shareholders Meeting.

2.14 Description of the factors material to the development of the Company

The following are key factors, which in the opinion of the Management Board now have or in the near future may have an impact on the Company's activity. Information on material proceedings and litigations against the Company, as well as the penalties included in section 4.11 hereof.

The major factors having a material impact on the financial performance of the Company include:

- Ability to attract new construction agreements, which due to the profile of the company is determined by the level of spending on the rail and tram infrastructure in Poland.
- Accuracy of estimate of costs of the implemented projects having a direct impact on decisions on policy of tendering, evaluation of tenders agreements, and in effect the margins achieved on agreements. Accuracy of

budget of the agreements cost estimates is connected with both methodological and external factors, such as changing of prices of materials and of subcontractors.

- Development of exchange rates, in particular the exchange rate of the zloty against the euro. In the past, the Company was exposed to currency fluctuations, particularly the fluctuation of the zloty against the euro. To reduce this risk, the company introduced a policy of hedging the exchange rate in case of being awarded new contracts in the EUR currency by entering into currency futures transactions. The Company as at 31 December 2013 did not apply hedge accounting.
- The monetary policy Central Bank, which translates into changes in interest rates. In order to finance the planned acquisition the Company may incur bank loans and therefore can bear the financial costs shaped by the level of interest rates.
- Timely settlement of liabilities by customers. Unpunctual repayment of obligations by contractors can lead to a deterioration in the Trakcja financial liquidity.
- The performed economic entities acquisition, can have both positive effects and risks for the Company's financial results.

In addition, in the future the financial performance of the Company may be affected by amendments in the law setting out the scope of the Company, including tax laws and regulations regarding other measures of public character, and the following regulations:

- associated with the procedures for obtaining public contracts, in particular amendment of the *Public Procurement Act*,
- associated with public-private partnership, in particular the Act of 19 December 2008 *on public-private partnerships* (Journal of Laws of 2009, No 19, item 100, with further amendments),
- relating to the financing of rail infrastructure
- environmental protection within the implementation of individual projects, in particular the Environmental Law.

2.15 Evaluation of factors and unusual events affecting the Trakcja PRKiI S.A. Company's results for 2013

In 2013, no factors or unusual events affecting the financial performance of the Company were reported.

2.16 Strategy and Development of the Company

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

The Management Board of Trakcja PRKiI S.A. plans to continue in 2014 actions aiming at further improvement of the Company’s results by applying the following strategic guidelines:

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

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

Strenghtening the leader’s position in the Polish market of construction-assembly services for railways

Due to the funds from the new EU Financial Perspective 2014-2020 which is supposed to amount to 10,5 billions of euro (two times more than in the previous Perspective), this going to be the growth market, with guaranteed sources of financing and with many tenders for infrastructure projects of significant individual value. Owing to this fact, the Management Board of Trakcja PRKiI S.A. plans in 2014 and next years to focus the Company’s activities on this particular market and hold the present leader’s position.

This goal will be achievable thanks to assuring the effective organizational and financial support in the areas of bidding and tendering and contract execution. In 2014 the Management Board plans to finish implementation of two important strategic initiatives that will improve processes of bidding and tendering and project execution:

- Implementation of the modern contract management system which allows to manage budgets and schedules of many large projects (that are executed at the same time) on the basis of detailed source data, registered in real-time.
- Implementation of the centralized procurement system that includes all contracts that are being executed and for the back-office units. Thanks to this initiative Trakcja PRKiI S.A. plans to achieve relevant and long-lasting cost savings and to optimize purchases.

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

Strengthening of the Company's market position in other markets

Trakcja PRKiI S.A. will take actions to strenghten its position in the tramways sector of the railways market of the construction-assembly services by winning new contracts. The second potentially attractive market – in view of planned investments of energy distribution companies – is market of transmission lines. Trakcja PRKiI plans to win several more contracts for construction of transmission lines.

2.17 Group Development Prospects

The Management Board assesses positively the growth perspectives of the Capital Group in 2014. The backlog as at December 31, 2013 (adjusted for the contracts signed after this date) amounted to 2,1 billion PLN.

Planned investment expenditures (EU funds and the Polish contribution) for the modernization of the Polish railways network in 2014-2020 will amount to about 59 billion PLN and about 60 billion PLN for the road construction works (source of information: "Dokument implementacyjny do strategii rozwoju transportu do 2020 r. (z perspektywą do 2030 r.)", Ministerstwo Infrastruktury i Rozwoju, Warszawa, grudzień 2013 r.).

2.18 Risk Factors

The factors that may significantly deteriorate the financial standing of the Company 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 joint and several liability of members of construction consortia and with liability for subcontractors,
- Risk associated with the volatility of prices for materials,
- Risk related to any potential penalties for failure to complete contracts,
- Risk of underestimating the costs of projects,
- Risk related to performance of construction contracts,
- Risk associated with the conditions and procedures for awarding tenders,
- Risk of growing portfolio of overdue receivables,
- Risk related to financial agreements,
- Liquidity risk,
- Risk related to strategy implementation,
- Risk associated with the lack of qualified employees,
- Currency risk.

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

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

2.19 Information on employment

Average employment in the reporting period:

	Financial year ended		
	31.12.2013	**31.12.2012**	**1.01.2012**
Average employement in the Company during the period:			
Management Board of Parent entity	5	5	5
Administration	145	127	118
Sales department	25	24	26
Production division	861	931	899
Other employees	15	15	14
Total	**1 051**	**1 102**	**1 062**

Company's employment as of the balance sheet date:

	31.12.2013	**31.12.2012**	**1.01.2012**
Employement in the Capital Group as at 31.12.2013			
Management Board of Parent entity	6	5	6
Administration	153	133	119
Sales department	24	25	26
Production division	817	899	963
Other employees	14	14	15
Total	**1 014**	**1 076**	**1 129**

3. Report on compliance with the corporate governance rules

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

The Company undertook to observe the corporate governance rules specified in the "Best Practice for WSE Listed Companies", except for the following rules: *Rule referred to in part I item 1 of the Good Practices*

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

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

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

- have its own website, whose scope and presentation method should be modelled on the sample investor relations template available at: http://naszmodel.gpw.pl/;

- provide for adequate communication with investors and analysts using modern Internet communication methods for that purpose;

- allow for the general meetings to be transmitted via Internet and also record them and make them available to public at its Internet website.

Company did not apply the aforementioned rule.

Explanation:

Company observes this rule partially. The Company's website is not based on the model service available at: http://naszmodel.gpw.pl/; its layout and contents, however, are to a great extent consistent with those presented in the model service. Adequate communication with investors and analysts is maintained using telephone connections and by e-mail. The Company does not intent to implement any new communication methods, as the ones used so far have been, in its opinion, sufficiently effective. The Company does not allow for the general meetings to be transmitted via Internet, does not record them and does not make them available to public at its Internet website. The Company does not have any effective and reliable technological tools to transmit and record video and sound. Due to the fast technological development and attractive offers of external companies, the Company does not exclude the possibility of transmitting and making available to public the recording of its general meetings in the future.

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

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

Company did not apply the aforementioned rule.

Explanation:

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

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

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

Company did not apply the aforementioned recommendation.

Explanation:

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

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

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

Company did not apply the aforementioned recommendation.

Explanation:

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

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

The Company should ensure that its shareholders may participate in person or by proxy to vote during the general meeting.

The Company did not apply the aforementioned recommendation.

Explanation:

The use of the aforementioned means of communication is, in the Company's opinion, risky due to potential technical problems. The Company will consider the possibility to comply with the aforementioned rule in the future.

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

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

Company applies the above rule partially.

Explanation:

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

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

Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires to be approved by the Supervisory Board. Company will not apply the above rule.

Explanation:

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

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

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

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

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

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

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

3.3.1. The Management Board

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

- Roman Przybył - President of the Management Board,
- Marita Szustak - Vice President of the Management Board,
- Stefan Dziedziul - Vice President of the Management Board,

- Nerijus Eidukevičius - Vice President of the Management Board,
- Tadeusz Kałdonek - Vice President of the Management Board,
- Jarosław Tomaszewski - Vice President of the Management Board.

In the last financial year, Mr. Pomar Rodrigo López left on June 12, 2013 the Management Board. Pursuant to Resolution No. 2 of the Supervisory Board he was dismissed from the position of Vice President. In the last financial year 2 members joined to the Management Board. On November 28, 2013 Mr. Jarosław Tomaszewski and Mr. Stefan Dziedziul were appointed by the Supervisory Board to the position of Vice President.

After the balance sheet date, no changes in the Management Board composition took place.

The Company's Management Board operates on the basis of provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Management Board. In accordance with the Company's Statute, the Management Board is comprised of no more than 10 people, elected by the Supervisory Board and dismissed by the Supervisory Board or the General Meeting by a majority of 2/3 of votes cast; the General Meeting may also suspend members of the Management Board.

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

3.3.2. Authorised signatories

The Company's authorised signatories included:

- Elżbieta Okula – joint authorisation,
- Jan Sęktas – joint authorisation.

No new authorised signatories were appointed in the last financial year. In the last financial year was not However, after the balance sheet date on January 21, 2014 the Board of the Company adopted a resolution on the appointment of proxies in the person of Mr. Peter Sykuły and Mr Marek Mazur. Consent to the appointment of proxies was expressed by the Supervisory Board in its resolution of February 12, 2014. The granted power of attorney are cumulative, together with a member of the Board.

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

3.3.3. Supervisory Board

The Company's Supervisory Board consists of:

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

In the last financial year, the Supervisory Board, due to the expiration of its term, has changed as follows. On June 12, 2013, the Ordinary General Meeting of Shareholders appointed: Mr. Andrzej Bartos as Member of the Supervisory Board, Mr. Wojciech Napiórkowskiego Member of the Supervisory Board and Mr. Julijus Stalmokas a Member of the Supervisory Board.

On June 12, 2013 COMSA SA based in Barcelona, which is a shareholder of the Company, acting pursuant to art. 13 paragraph. 4 of the Statute of the Company has appointed: Mr. Jorge Miarnau Montserrat for a Member of the Supervisory Board, Mr. Miquel Llevat Vallespinosa for a Member of the Supervisory Board, Mr. Maciej Radziwiłł for a Member of the Supervisory Board and Mr. Fernando Perea Samarra for a Member of Supervisory Board of the Company.

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

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

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

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

1) they should not be member of the Management Board of the Company or of a related company, and should not have performed such a fuction within the five preceding years;
2) they should not be employee of the Company or of a related company, and should not have performed such a fuction within the three preceding years;
3) they should not, at present or in the past, receive material additional remuneration from the Company or a related company, apart from the remuneration on account of performing the function of a Supervisory Board member;
4) they should not be or in any way represent a majority shareholder or any shareholder having at least 5% of votes at the General Meeting;
5) they should not, at present or in the preceding year, have significant business relations with the Company or a related company, both directly or as a partner, shareholder, director or key employee of an entity having such relations;
6) they should not, at present or in the three preceding years, be a partner or employee of the current or previous external auditor of the Company or a related company;
7) they should not be a managing or executive director of another company in which a member of the Company's Management Board is a non-executive or supervising director, and should not have any material relations with members of the Company's Management Board through activity in other companies or entities;
8) they should not perform the function of a member of the Supervisory Board for more than three terms of office;
9) they should not be a close relative of a managing or executive director or persons referred to in points from 1) to 8).

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

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

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

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

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

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

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

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

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

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

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

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

The consolidated financial statements are prepared based on uniform consolidation packages prepared in an electronic form by the respective Capital Group companies. The data is consolidated by the Parent Company's Accounting Department under the supervision of the Chief Accountant.

One of the elements in the process of preparing the Group's financial statements is the verification of its financial statements by an independent auditor, whose tasks include in particular: review of the interim and audit of the annual financial statements - both stand-alone and consolidated - of the Parent Company. The independent auditor is selected by the Supervisory Board.

After the auditor completes the examination of the financial statements, they are sent to Supervisory Board's members and the Supervisory Board assesses their compliance with the ledgers and documents and also with the factual status. In addition, the findings of reviews or examinations carried out by the auditor are presented to the Supervisory Board and the General Meeting of Shareholders of Trakcja PRKiI S.A.

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

In 2011, Trakcja applied the set of corporate governance rules collected in the document entitled "Good Practices of Companies Listed on the WSE" published in Appendix to the Resolution No. 12/1170/2007 of the WSE Supervisory Board dated 4 July 2007, amended by Appendix to the Resolution No. 19/1307/2012 dated 21 November 2012.

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

3.6. Specification of shareholders holding directly or indirectly significant shareholdings

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

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

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

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

3.8. Specification of any restrictions on voting rights

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

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

8) merger between the Company and another company, division or transformation of the Company;
9) cancellation of the dematerialisation of shares in the Company;
10) changes to the Statute;

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

3.9. Specification of any restrictions on the transfer of the right to securities issued by Trakcja S.A.

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

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

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

3.11. Description of rules for making changes to the Statute of Trakcja PRKiI S.A.

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

In the last year according to the resolution of the Extraordinary General Meeting as of November 27, 2013 adopted by the required majority of three quarters of votes Article 1 of the Articles of Association of the Company's business of the Company was amended. The amendments concerns the change of the name of the Company from Trakcja Spółka Akcyjna. to Trakcja PRKiI Spółka Akcyjna. Abbreviation of the company is: Trakcja PRKiI SA The Extraordinary General Meeting authorized the Board to prepare a uniform text of the Articles of Association of the Company, which was then adopted by resolution of the Supervisory Board of November 28, 2013.

4. Other Information

4.1. Information about material agreements

4.1.1. Insurance agreements

Property Insurance

The Company has standard insurance policies covering with the insurance protection the movable property in case of damage and third party liability insurance in connection with the conducted activity and owned property and construction risks insurance agreements that are concluded with the following insurers: Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A., STU Na Życie Ergo Hestia S.A. and Towarzystwo Ubezpieczeń i Reasekuracji AXA S.A.

Particular attention should be paid to the following agreements:

- Property insurance agreement against all risks concluded by the Company with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. The sum insured is PLN 83,926 thousand. Expiry date of insurance policy: 10 April 2014.
- civil liability insurance agreement in connection with conducted business activity, concluded by the Company with STU Na Życie Ergo Hestia S.A. The sum insured is PLN 50,000 thousand. Expiry date of insurance policy: 31 December 2014.
- all risk insurance for the rolling stock, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. The sum insured is PLN 20,167 thousand. Expiry date of insurance policy: 10 April 2014.
- insurance agreement for construction risks connected with performance of works under the following contracts:
    - *Design and performance of construction works on the railway line Kraków – Medyka – state border, section Podłęże - Bochnia at km 16,000 – 39,000*, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and Powszechny Zakład Ubezpieczeń S.A. The total sum insured is PLN 760,436 thousand. Expiry date: 03 March 2015.
    - *Performance of construction works in modernization of line no. 9, section from km 236,920 to km 287,700 covered by the area of Local Steering Centre based in Malbork*, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and AXA Polska S.A. The total sum insured is PLN 1,068,740 thousand. Expiry date: 30 September 2014.
    - *Design and performance of the reconstruction of the Łódź Widzew station and a part of the route Łódź Fabryczna – Łódź Widzew from km 2,250 to km 7,200 along with rail traffic steering device and telecommunications for the entire section Łódź Fabryczna – Łódź Widzew, and modernization of the derouting line Łódź Widzew – Łódź Chojny - Łódź Kaliska*, concluded with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and InterRisk Towarzystwo Ubezpieczeń S.A. The total sum insured is PLN 297,823 thousand. Expiry date: 31 December 2014.
    - *Design and construction of technical infrastructure – Łódzka Kolej Aglomeracyjna Sp. z o.o.*, concluded with Ergo Hestia S.A. The total sum insured is PLN 19,274 thousand. Expiry date: 31 January 2015.
    - *Construction of a trolleybus station with power feed and "Zana" substation, and reconstruction of road lighting within the project: Integrated System of Public City Transport in Lublin*, concluded with Ergo Hestia S.A. The total sum insured is PLN 11,014 thousand. Expiry date: 30 September 2014.
- all risk insurance for the gravel cleaner RM 80-750 Plasser & Theurer, concluded by the Company with AXA Towarzystwo Ubezpieczeń i Reasekuracji S.A. The sum insured is PLN 30,600 thousand. Expiry date of insurance policy: 16 April 2014.
- full risk insurance for the rolling stock concluded by the Company with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and STU na Życie Ergo Hestia S.A. The sum insured is PLN 21,910 thousand. Expiry date of insurance policy: 25 April 2014.
- full property insurance concluded by the Company with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and STU na Życie Ergo Hestia S.A. The sum insured is PLN 9,065 thousand. Expiry date of insurance policy: 25 April 2014.

- civil liability insurance agreement in connection with conducted business activity, concluded by the Company with STU Na Życie Ergo Hestia S.A. The sum insured is PLN 10,000 thousand. Expiry date of insurance policy: 31 March 2014.
- insurance agreement for construction equipment and machines concluded by the Company with Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A. and STU na Życie Ergo Hestia S.A. The sum insured is PLN 9,846 thousand. Expiry date of insurance policy: 25 April 2014.

Personal Insurance

The Company has a standard insurance policies covering protection of civil liability of the members of the Company entered into with AIG Allianz SA, as well as life insurance for members of the Board of the Company entered into with ING Towarzystwo Ubezpieczeń na Życie S.A.

4.1.2. Agreements of cooperation and collaboration

On May 5, 2013, the Company signed an agreement recourse factoring for an indefinite period of mFaktoring S.A. The Company has signed framework agreements on cooperation in financial market transactions with Alior Bank S.A. and BZ WBK S.A. The subject matter of the agreements is to define the rules of cooperation in the field of financial market transactions between the Company and the bank.

4.2. Information on credits and loans taken

The list of credits taken by Trakcja PRKiI S.A. company as at 31 December 2013 is presented in the table below.

Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Alior Bank S.A.	working capital	60 000	PLN	31-03-2014	WIBOR O/N + margin	60 000
Alior Bank S.A.	purpose loan for the contract	15 000	PLN	31-03-2014	WIBOR 1M + margin	15 000
Alior Bank S.A.	working capital	20 000	PLN	31-03-2014	WIBOR O/N + margin	13 200
Bank Zachodni WBK S.A.	investment	18 000	PLN	31-03-2017	WIBOR 1M + margin	11 568
Bank Zachodni WBK S.A.	investment	7 200	PLN	30-09-2015	WIBOR 1M + margin	2 291
mBank S.A.	overdraft	10 000	PLN	29-01-2015	WIBOR O/N + margin	5 802
mBank S.A.	working capital	12 000	PLN	31-07-2014	WIBOR 1M + margin	4 095
Total		**142 200**				**111 956**

4.3. Information regarding loans granted in the financial year

Statement of the loans granted by the Company in 2013, is presented on the below table.

Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
PEUIM Sp. z o.o.	900	PLN	31.12.2014	fixed interests	900	subsidiary
PEUIM Sp. z o.o.	500	PLN	31.12.2014	fixed interests	500	subsidiary
PEUIM Sp. z o.o.	700	PLN	31.12.2013	fixed interests	-	subsidiary
RAZEM	**2 100**				**1 400**	

4.4. Contingent receivables and liabilities

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

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Contingent receivables			
From related entities due to:	**138 772**	**123 885**	**126 500**
Received guarantees and sureties	124 254	110 637	116 194
Bills of exchange received as collateral	14 518	13 248	10 306
Total contingent receivables	**138 772**	**123 885**	**126 500**
Contingent liabilities			
From related entities due to:	**716**	**2 385**	**-**
Provided guarantees and sureties	716	2 385	-
From other entities due to:	**1 867 942**	**2 687 836**	**1 139 295**
Provided guarantees and sureties	304 849	385 256	422 786
Promissory notes	493 193	552 934	438 352
Mortgages	165 300	229 800	154 500
Assignment of receivables	778 032	1 335 193	-
Assignment of rights under insurance policy	71 045	73 265	68 233
Security deposits	15 831	7 195	3 769
Other liabilities	39 692	104 193	51 655
Total contingent liabilities	**1 868 658**	**2 690 221**	**1 139 295**

Contingent liabilities for sureties and guarantees granted to the other units are mainly the guarantees issued by banks to the contractors of the Company to secure their claims against the Company arising from the executed construction agreements (performance bond guarantees, warranties of removal of defects, guarantees of repayment of the advance). The banks have the right of recourse in this respect to the subsidiaries of the Company Promissory notes are another form of security guarantees, referred to hereinabove.

4.5. The agreements concluded between the Company and managing persons

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

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

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

The remuneration of Members of the Management Board in 2013, is presented in the table below.

		31.12.2013	31.12.2012
Roman Przybył	President of the Board	987	820
Marita Szustak	Vice-president of the Board	758	44
Nerijus Eidukevičius	Vice-president of the Board	60	11
Tadeusz Kałdonek	Vice-president of the Board	508	463
Stefan Dziedziul	Vice-president of the Board since 28.11.2013	550	-
Jarosław Tomaszewski	Vice-president of the Board since 28.11.2013	125	-
Rodrigo Pomar López	Vice-president of the Board till 12.06.2013*	1 490	211
Maciej Radziwiłł	President of the Board till 21.06.2012*	-	2 343
Tadeusz Bogdan	Vice-president of the Board till 19.09.2012*	525	381
Tadeusz Kozaczyński	Vice-president of the Board till 31.08.2012*	671	770
Dariusz Mańkowski	Vice-president of the Board till 19.09.2012*	651	493
Total		**6 325**	**5 536**

*) The amount of compensation including compensation in the case of resignation or dismissal from his position.

The remuneration of members of the Supervisory Board in 2013, are presented in the table below:

		31.12.2013	31.12.2012
Maciej Radziwiłł		120	-
Tomasz Szyszko	(till 29.06.2012)	-	30
Paweł Ziółek	(till 29.06.2012)	-	30
Andrzej Bartos	(from 12.06.2013)	33	-
Wojciech Napiórkowski		66	33
Alvydas Banys	(till 12.06.2013)	22	33
Julius Stalmokas		66	33
Miquel Llevat Vallespinosa		-	-
Jorge Miarnau Montserrat		-	-
Fernando Perea Samarra	(from 12.06.2013)	-	-
Total		**307**	**159**

4.7. Information on ownership of shares Trakcja PRKiI S.A. and stock / shares in associated companies by managing and supervising persons

The total number of all shares of the Issuer is 411,196,384 and their total nominal value - PLN 41,119,638.

The Issuer's shares held by managing and supervising persons at the date of the report is as follows:

First name and surname	Function	Number of shares	Nominal value of shares held in PLN	% in the shareholding
Maciej Radziwiłł	Chairman of the Supervisory Board	280	28	0,000%
Roman Przybył	President of the Board	10 000	1 000	0,002%
Marita Szustak	Vice-president of the Board	500 000	50 000	0,122%
Nerijus Eidukevičius	Vice-president of the Board	2 626 167	262 617	0,639%
Tadeusz Kałdonek	Vice-president of the Board	2 550 960	255 096	0,620%

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

From the date of the previous quarterly report, ie from November 4, 2013, there were changes of shares held by managers and supervisors.

On December 5, 2013, the Company received notification from Mr. Nerijus Eidukevičius acting as Vice President of the Company for the sale of 381 584 shares as a result of the transaction on the Stock Exchange in Warsaw on December 3, 2013.

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

4.8. Information on agreements which may result in changes in the proportion of shares held by the existing shareholders

As at December 31, 2013 there were no contracts, which may result in changes in the proportion of shares held by existing shareholders.

4.9. Information on employee stock control systems

Trakcja PRKiI S.A. company did not introduce any employee share schemes.

4.10. Information on purchase of own shares

In 2013 Trakcja PRKiI S.A. did not acquire its own shares.

4.11. Material litigations and disputes

In the reporting period, the Company and its subsidiaries were not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authorities, whose value, individual or in total, exceeded 10 percent of the equity of Trakcja PRKiI S.A., except for the following proceedings:

4.11.1 Court cases

Case of shareholder against Trakcja PRKiI S.A.

After the balance sheet date, the Management Board of Trakcja PRKiI S.A., in the current report no. 6/2014 of 10 March 2014 informed, in reference to the current report no. 1/2013 of 3 January 2013, about having received a decision of the Regional Court in Warsaw about closing the proceedings (notified by the Company in the aforementioned report) brought by a Company shareholder – a private individual – against the Company concerning stating invalidity of resolutions undertaken on 12 December 2012 on the Extraordinary Shareholders Meeting i.e.: (i) resolution no. 4 on issue of bonds exchangeable to shares series H, and (ii) resolution no. 5 on conditional increase of share capital, cancellation of subscription rights of existing shareholders, and change of the Company's Articles of Association.

4.11.2 Disputes

Agreement between PNI and PRKiI

In reference to the current report no. 34/2013 of 28 March 2013 on imposing a contractual penalty by the Company's subsidiary - Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. based in Wrocław ("PRKiI"), on 22 April 2013 an agreement was concluded with Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in arrangement bankruptcy based in Warsaw (hereinafter: "PNI"), pursuant to which the parties terminated the executive contract concluded between PRKiI (as the Partner) and PNI (as the Leader) of 25 October 2011 executed in connection with the conclusion by the consortium composed of: PNI, PKP Energetyka S.A., PRKiI, Dolnośląskie Przedsiębiorstwo Napraw Infrastruktury Komunikacyjnej Sp. z o.o. z PKP Polskie Linie Kolejowe S. A. ("Contracting Authority") of the Agreement No. 90/116/0006/11/Z/I for basic line construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of Dolnośląskie Voivodeship, within the scope of the project POIiŚ 7.1. – 4 "Modernization of the railway line E 59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of Dolnośląskie Voivodeship, the conclusion of which was notified by the Company in the current report no. 34/2011 of 25 May 2011.

Pursuant to the aforementioned agreement, the parties represented and confirmed that they have no claims against each other due to contractual penalties and interest thereon, and if such claims arise up to the date of concluding the aforementioned agreement the parties waive the same, unless expressly provided otherwise in the agreement.

The Parties represented that existing mutually charged contractual penalties are deemed non-existent save for PRKiI receivables in the PNI bankruptcy proceedings defined in the notification; PNI questions the existence of these penalties. Waiver of claims, including contractual penalties, does not concern any claims of PRKiI which arose before the date of announcement of PNI's bankruptcy and by law covered by an arrangement, indicated in PRKiI claims notification.

Conclusion of an agreement between PNI and Trakcja

On 22 April 2013 an agreement was concluded between PNI Sp. z o.o. and Trakcja S.A. on cooperation during the Contract for the performance of construction works in modernization of the railway line no. at the section from km 236.920 to km 287.700 included in the zone of the Local Steering Centre based in Malbork within the scope of the Project POIiŚ 7.1 - 1.3 "Modernization of the Railway Line E65/C - E 65 at the section Warsaw - Gdynia area LCS Iława and LCS Malbork.".

Pursuant to the above agreement, the parties offset mutual claims, and as a result Trakcja S.A. undertook to pay to PNI Sp. z o.o. PLN 12 063 910.94 gross. The payment was made on time.

Pursuant to par. 1 item 2, payment by Trakcja S.A. of the aforementioned amount on time and execution of obligations defined in § 2 of this agreement (releasing PNI from penalties /damages arising due to non-performance/improper performance of the Contract up to PLN 1 million, overtaking rights under the quality warranty and good performance bond, releasing PNI from incurring costs during the expanded period of the Contract term) exhausts all PNI claims due to the execution of the Consortium Agreement and mutual execution of orders by the parties. In addition PNI waived any further claims towards Trakcja S.A. on the condition of payment of the aforementioned amount.

Conclusion of the agreement results in an expiry of existing and future liabilities between the parties, which arose or may arise in connection with the Executive Agreement or the Consortium Agreement, and joint execution of the order. The parties hereby waive all claims covered by the arrangement due based on, or in connection with, the conclusion, performance or termination of the Executive Agreement, Consortium Agreement and joint execution of the order, and claims which may arise in the future on this account.

In addition, PNI found the liability charged to Trakcja S.A. with the accounting note no. 0018/1C/670132/ 01/03/2013 of 29 March 2013 at PLN 60 million as non-existent.

After the conclusion of the aforementioned agreement, on 22 August 2013, PNI modified its claim by withdrawing a part of the suit i.e. limiting the amount to PLN 6 709 526.44. In the light of Trakcja PRKiI S.A. meeting its obligations

under the agreement of 22 April 2013, all claims of PNI against the company, in the opinion of the Management Board of the Dominant entity, have expired since PNI effectively and irrevocably waived its claims.

Payment of contractual penalty to Trakcja PRKiI S.A. by PKP Polskie Linie Kolejowe S.A.

In connection with the execution by the Consortium, i.e. Trakcja S.A., Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., ZUE S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o., Zakład Robót Komunikacyjnych DOM in Poznan Sp. z o.o., for PKP Polskie Linie Kolejowe S.A. based in Warsaw (hereinafter "Contracting Authority") of the Agreement of 31 May 2010 for construction works in complex modernization of stations and routes in the area of LCS Działdowo within the scope of the project POIiŚ 7.1-41: "Modernization of the railway line E-65/C-E 65 at the section Warszawa - Gdynia – area LCS Działdowo" ("Agreement"), of which the Company notified in the current report no. 9/2010 of 31 May 2010, the Company on 21 June 2013, acting on behalf of the Consortium issued- pursuant to the Agreement, a debit note amounting to PLN 95 297 116.95 for imposition on the Contracting Authority of a contractual penalty due in connection with the Contracting Authority's failure to meet the contractual date for delivering the construction site, with the payment term of 14 days from receipt.

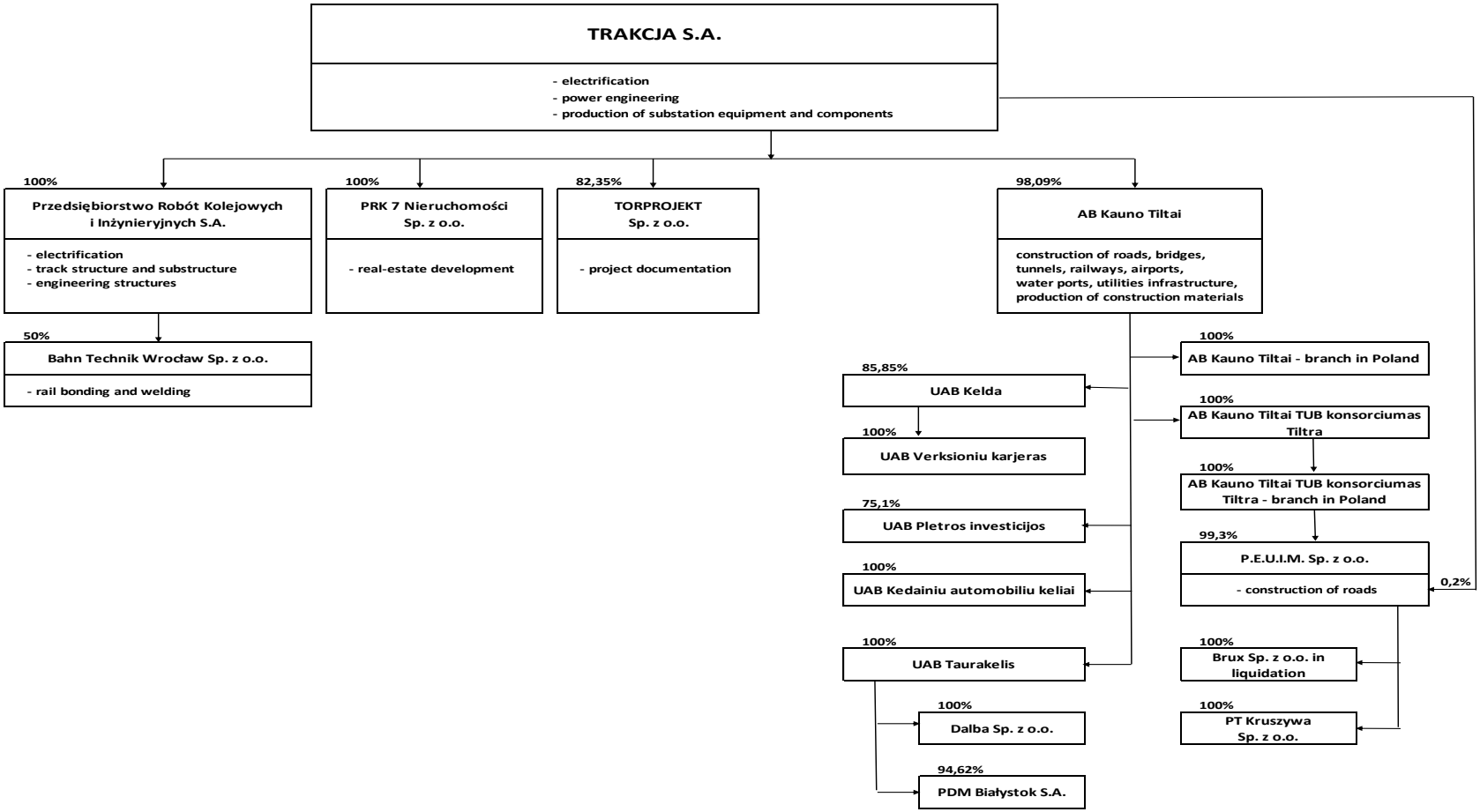
In the light of a lack of timely payment of the above contractual penalty, by the Contracting Authority, the Company, on behalf of the Consortium on 20 June 2013 filed, via Poczta Polska S.A., to the District Court for Warszawa Praga-Północ in Warsaw, VII Economic Division, a request for arrangement hearing addressed to PKP Polskie Linie Kolejowe S.A. based in Warsaw, as notified in the current report no. 61/2013 of 21 June 2013.

Up to the balance sheet date or thereafter the Contracting Authority did not make a payment to the Company nor has concluded an arrangement in this scope.

4.12. Information on organizational or capital relations of the Company with other entities

Trakcja PRKiI S.A. company is the Parent Company of Trakcja PRKiI Group.

The Group's capital structure as at 31 December 2013 is shown in the following diagram.



**) Trakcja PRKiI 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 share of indirect result of the acquisition of shares by a subsidiary.*

Changes in the structure of the Group

In the period from January 1, 2013 to December 31, 2013 the Group made adjustments in the Group structure described below.

On February 25, 2013, the subsidiary AB Kauno Tiltai established a branch of his company in Latvia.

On April 5, 2013, the subsidiary UAB Pletros Investicijos set up a company UAB Palangos Aplinkkelis based in Vilnius, where it holds a 100% stake in its share capital.

On December 19, 2013, the District Court for the Capital City Warsaw, XII Commercial Division of the National Court Register, entered Trakcja S.A. (as acquiring company) merger with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. (as acquired company).

The merger of the companies was recognized as at December 31, 2013 and effected through the transfer of all the assets of the acquired company, i.e. by way of merger by acquisition.

On December 19, 2013, the District Court for the Capital City Warsaw, XII Commercial Division of the National Court Register, entered the changes in the statute of the Company, which are made pursuant to Resolution No. 4 of the Extraordinary General Meeting of Shareholders dated November 27, 2013. The name of the Company was changed to "Trakcja PRKiI Spółka Akcyjna".

On December 19, 2013, the Extraordinary General Meeting of the Issuer's subsidiary, PT Kruszywa Sp. z o.o. with its registered office in Białystok (PT Kruszywa) adopted a resolution to dissolve the company and and to open liquidation of the company. The Extraordinary General Meeting of Shareholders appointed Mr. Rolandas Rekašiusa as the company's liquidator. The request for the opening of liquidation process was filed by the company on December 20, 2013 in the District Court in Białystok, XII Commercial Division of the National Court Register. The reason for adoption of a resolution to liquidate the company was the lack of operational activity by the company in the year 2013. Accordingly, the company's name was changed to PT Kruszywa Sp. z o.o. in liquidation. PT Kruszywa as at December 31, 2013 was consolidated by the Group.

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

4.13. Changes in the basic rules of the Management Board of the Company

In 2013, there were no changes in the basic rules of the Management Board of Trakcja PRKiI S.A. company.

4.14. Transactions with associated parties

All transactions entered into by the Issuer with associated parties were included under the market conditions.

Detailed information on associated party transactions are set out in Note 52 *of the Annual financial statements of Trakcja PRKiI S.A.*

4.15. Material achievements in research and development

Trakcja PRKiI S.A. company’s scope of main activity does not require conducting of material research and - development.

4.16. Information about the entity acting as a chartered auditor

The entity authorized to audit the parent company’s reports is BDO Sp. z o.o. located in Warsaw at ul. Postępu 12.

On August 22, 2013, the Parent Company concluded a contract with BDO Sp. z o.o. to:

- Review the semi-annual unitary and consolidated financial statement made as per June 30, 2013 according to the International Accountancy Standards.
- Examine the annual unitary and consolidated financial statement made as per December31, 2013 according to the International Accountancy Standards.

The agreement was concluded on the period of performance of the contract.

The amount of remuneration for the examination and review of the statements and other, is presented in the blow table.

	Financial year ended	
	31.12.2013	**31.12.2012**
On account of agreement for financial statement audit	110	207
On account of agreement for financial statement review	55	121
On account of tax advisory	9	-
On account of other agreements	10	38
Total	**184**	**366**

Warsaw, March 21, 2014

Roman Przybył

President of the Board

Marita Szustak

Vice President of the Board

Stefan Dziedziul

Vice President of the Board

Nerijus Eidukevičius

Vice President of the Board

Tadeusz Kałdonek

Vice President of the Board

Jarosław Tomaszewski

Vice President of the Board

STATEMENT OF THE MANAGEMENT BOARD

According to our best knowledge, the financial statements of Trakcja S.A. for the period 01.01.2013 - 31.12.2013, and comparable data for the period 01.01.2012 - 31.12.2012, were prepared in accordance with applicable accounting rules and give a true and fair view of the financial position and financial performance of the Company. The Report of the Management Board on the Issuer's activity gives a true picture of the development and achievements, risks and threats of Trakcja S.A. company

We also declare that the entity authorized to audit the financial statements, which audited the annual financial statements of Trakcja S.A. for the 12 months ended 31 December 2013 - BDO Sp. z o.o. was selected in accordance with the law. Entity and the auditors who performed the audit met the conditions for an impartial and independent opinion on the audit, in accordance with applicable regulations and professional standards.

Warsaw, March 21, 2014

Roman Przybył	Marita Szustak
President of the Board	Vice President of the Board
Stefan Dziedziul	Nerijus Eidukevičius
Vice President of the Board	Vice President of the Board
Tadeusz Kałdonek	Jarosław Tomaszewski
Vice President of the Board	Vice President of the Board

TRAKCJA PRKiI S.A.

ANNUAL FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR

ENDED ON 31 DECEMBER 2013

This document is a translation.

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENT

The Management Board of Trakcja PRKiI S.A. has approved the consolidated financial statement of Trakcja PRKiI S.A. for the period from 1 January 2013 to 31 December 2013.

The annual financial statement for the period from 1 January 2013 to 31 December 2013 was prepared according to the International Financial Reporting Standard approved by the European Union. Information included herein, is presented in the following sequence:

1. Profit and loss account for the period from 1 January 2013 to 31 December 2013 showing net profit amounting **26 220** thousand PLN.
2. Total income report for the period from 1 January 2013 to 31 December 2013 showing total income amounting **31 943** thousand PLN.
3. Balance sheet as per 31 December 2013 showing the assets and liabilities in amount **1 150 284** thousand PLN.
4. Cash flow statement for the period from 1 January 2013 to 31 December 2013 showing the decrease of cash balance by **15 019** thousand PLN.
5. Balance of changes in equity for the period from 1 January 2013 to 31 December 2013 showing the increase of equity by **126 541** thousand PLN.
6. Additional information and explanations.

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

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

Roman Przybył	Marita Szustak
President of the Board	Vice-president of the Board
Stefan Dziedziul	Nerijus Eidukevičius
Vice-president of the Board	Vice-president of the Board
Tadeusz Kałdonek	Jarosław Tomaszewski
Vice-president of the Board	Vice-president of the Board

Warsaw, 21 March 2014

TABLE OF CONTENTS

PROFIT AND LOSS ACCOUNT

	Note	Financial year ended 1.01.2013 - 31.12.2013	1.01.2012 - 31.12.2012 Modified*
Continued operations			
Sales revenues	**13**	**987 913**	**793 822**
Cost of goods sold	**14**	**(945 063)**	**(800 136)**
Gross profit (loss) on sales		**42 850**	**(6 314)**
Cost of sales, marketing and distribution	14	(2 741)	(2 741)
General and administrative costs	14	(28 363)	(30 291)
Other operating revenues	15	18 546	5 121
Other operating costs	16	(2 087)	(3 556)
Operating profit (loss)		**28 205**	**(37 781)**
Financial revenues	17	3 616	3 738
Financial costs	18	(15 147)	(19 183)
Gross profit (loss)		**16 674**	**(53 226)**
Income tax	19	(9 546)	4 910
Net profit (loss) from continued operations		**26 220**	**(58 136)**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit for financial year		**26 220**	**(58 136)**
Net profit/(loss) in PLN per one share	**21**		
– basic from profit for the period		0,07	(0,25)
– basic from profit from continued operations		0,07	(0,25)
– diluted from profit for the period		0,07	(0,25)
– diluted from profit from continued operations		0,07	(0,25)

Modified) Change in accounting policy - details are described in Notes 8 and11 to these financial statements.*

TOTAL COMPREHENSIVE INCOME REPORT

	Note	1.01.2013 - 31.12.2013	1.01.2012 - 31.12.2012 Modified*
Net profit (loss) for the period		**26 220**	**(58 136)**
Other total income for the period			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:		**5 723**	**(1 347)**
Profit from revaluation referred into revaluation reserve	11	7 041	-
Actuarial gains/(losses)	11	(1 318)	(1 347)
Total other comprehensive income	**19.2**	**5 723**	**(1 347)**
TOTAL INCOME FOR THE PERIOD		**31 943**	**(59 483)**

Modified) Change in accounting policy - details are described in Notes 8 and11 to these financial statements.*

BALANCE SHEET

ASSETS	Note	31.12.2013	31.12.2012	1.01.2012
			Modified*	Modified*
Non-current assets		**607 954**	**599 534**	**569 982**
Tangible non-current assets	22	102 643	103 775	95 815
Intangible assets	24	59 085	58 296	57 111
Investment properties	23	25 699	11 122	9 218
Investments in affiliates	25	385 297	386 635	389 286
Other financial assets	26	8 259	19 754	69
Deferred tax assets	19	26 090	17 711	15 963
Accruals	27	881	2 241	2 520
Current assets		**542 330**	**272 087**	**514 772**
Inventory	28	42 191	38 432	35 742
Trade and other receivables	29	420 897	126 418	308 563
Income tax receivables		1 849	586	145
Other financial assets	26	24 491	7 019	5 198
Cash and cash equivalents	30	33 744	48 763	108 097
Accruals	27	3 841	4 101	5 109
Construction contracts	31	15 317	46 768	51 918
Total assets		**1 150 284**	**871 621**	**1 084 754**
Equity and liabilities				
Equity	**33**	**537 603**	**411 062**	**472 528**
Share capital		41 120	23 211	23 211
Basic conditional capital		-	18 545	-
Due payments for basic capital (negative value)		-	(18 545)	-
Share premium account		310 102	231 813	231 596
Revaluation reserve		14 945	9 504	11 704
Other capital reserves		145 216	204 670	188 643
Retained earnings		26 220	(58 136)	17 374
Long-term liabilities		**98 051**	**64 448**	**205 310**
Interest-bearing bank loans and borrowings	35	19 260	22 064	21 923
Bonds	36	49 926	12 913	160 040
Provisions	34	1 223	1 052	759
Liabilities due to employee benefits	39	9 227	8 854	8 849
Provision for deferred tax	19	18 271	19 565	13 739
Detrivative financial instruments	38	144	-	-
Short-term liabilities		**514 630**	**396 111**	**406 916**
Interest-bearing bank loans and borrowings	35	106 683	25 127	77 780
Bonds	36	-	147 761	5 695
Trade and other liabilities	40	329 815	196 502	260 572
Provisions	34	11 637	5 253	3 232
Liabilities due to employee benefits	39	6 633	6 030	5 974
Other financial liabilities	37	34 718	-	-
Accruals		6	-	-
Construction contracts	31	25 138	15 438	53 663
Total equity and liabilities		**1 150 284**	**871 621**	**1 084 754**

Modified) Change in accounting policy - details are described in Notes 8 and11 to these financial statements.*

CASH FLOW STATEMENT

	Note	Financial year ended 31.12.2013	31.12.2012 Modified*
Cash flows from operating activities			
Gross profit from continued operations		**16 674**	**(53 226)**
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		**(75 824)**	**110 838**
Depreciation	14	10 139	12 132
FX differences		290	(782)
Net interest and dividends		10 574	15 241
Profit on investment activities		(10 166)	(1 718)
Change in receivables		(294 754)	181 784
Change in inventory		(3 759)	(2 690)
Change in liabilities, excluding loans and borrowings		166 527	(63 343)
Change in prepayments and accruals		1 626	1 287
Change in provisions		6 554	2 314
Change in construction contracts		41 151	(33 075)
Income tax paid		(2 358)	(441)
Other		(1 648)	129
Net cash flows from operating activities		**(59 150)**	**57 612**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		816	(16 824)
- acquisition		(6 147)	(17 091)
- sale		6 963	267
Sale (acquisition) of shares and stocks in affiliates and subsidiaries		-	(64)
- acquisition		-	(66)
- sale		-	2
Financial assets		(6 993)	(5 427)
- granted or acquired		9 559	200
- repaid		(16 552)	(5 627)
Loans		1 900	(15 600)
- granted		4 000	1 266
- repaid		(2 100)	(16 866)
Dividend received		1 000	-
Interest received		133	217
Net cash flows from investment activities		**(3 144)**	**(37 698)**
Cash flows from financial activities			
Net proceeds from issue of shares		(14 040)	-
Proceeds on account of taken borrowings and loans		168 397	73 568
Repayment of borrowings and loans		(92 209)	(126 878)
Interest paid		(11 159)	(21 386)
Payment of liabilities under financial lease agreements		(3 658)	(4 512)
Other		(56)	(40)
Net cash flows from financial activities		**47 275**	**(79 248)**
Total net cash flows		**(15 019)**	**(59 334)**
Net FX differences		-	-
Cash at start of period		**48 763**	**108 097**
Cash at end of period	**47**	**33 744**	**48 763**
- with limited access		912	-

Modified) Change in accounting policy - details are described in Notes 8 and11 to these financial statements.*

STATEMENT OF CHANGES IN THE EQUITY

	Share capital	Basic conditional capital	Due payments for basic capital (negative value)	Share premium account	Revalua-tion reserve	Other reserve capitals		Retained earnings	Total equity
Modified*						Actuarial gains/ (losses)	Results from previous years		
As at 1.01.2013	**23 211**	**18 545**	**(18 545)**	**231 813**	**9 504**	**(1 347)**	**206 017**	**(58 136)**	**411 062**
Corrections of errors	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	-	-
As at 1.01.2013 after adjustments	**23 211**	**18 545**	**(18 545)**	**231 813**	**9 504**	**(1 347)**	**206 017**	**(58 136)**	**411 062**
Net profit for the period	-	-	-	-	-	-	-	26 220	26 220
Other comprehensive income	-	-	-	-	7 041	(1 318)	-	-	5 723
Losses cover	-	-	-	-	-	-	(58 136)	58 136	-
Issue of shares	17 909	(18 545)	18 545	78 289	-	-	-	-	96 198
Other changes	-	-	-	-	(1 600)	-	-	-	(1 600)
As at 31.12.2013	**41 120**	**-**	**-**	**310 102**	**14 945**	**(2 665)**	**147 881**	**26 220**	**537 603**
Modified*									
As at 1.01.2012	**23 211**	**-**	**-**	**231 596**	**11 704**	**-**	**188 643**	**12 877**	**468 031**
Corrections of errors	-	-	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-	4 497	4 497
As at 1.01.2012 after adjustments	**23 211**	**-**	**-**	**231 596**	**11 704**	**-**	**188 643**	**17 374**	**472 528**
Net profit for the period	-	-	-	-	-	-	-	(58 136)	(58 136)
Other comprehensive income	-	-	-	-	-	(1 347)	-	-	(1 347)
Distribution of profit	-	-	-	-	-	-	17 374	(17 374)	-
Issue of shares	-	18 545	(18 545)	-	-	-	-	-	-
Other changes	-	-	-	217	(2 200)	-	-	-	(1 983)
As at 31.12.2012	**23 211**	**18 545**	**(18 545)**	**231 813**	**9 504**	**(1 347)**	**206 017**	**(58 136)**	**411 062**

Modified) Change in accounting policy - details are described in Notes 8 and11 to these financial statements.*

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

This financial statement includes the period of fiscal year that ended on 31 December 2013 and comparable data.

Trakcja PRKiI S.A. ("the Company", "Trakcja PRKiI") in its present form was established on 30 November 2004 as a result of acquisition of the holding company Trakcja Polska S.A. by Przedsiębiorstwo Kolejowych Robót Elektryfikacyjnych S.A. (Railway Electrification Works Company, "PKRE S.A."). The Company's business name was then Trakcja Polska S.A. and was changed by Resolution no. 2 adopted by an Extraordinary Shareholder Meeting on 22 November 2007. The change was confirmed by the entry in the National Court Register made on 10 December 2007. The Company's previous business name was Trakcja Polska – PKRE S.A. Trakcja - Tiltra S.A. operates on the basis of the articles of association prepared in the form of a notary deed on 26 January 1995 (Rep. A No. 863/95), as amended. On 1 September 2009, the District Court for the capital city of Warsaw, 12th Economic Department of the National Court Register, has registered the merge of Trakcja Polska S.A. as a taking-over company with Przedsiębiorstwo Robót Komunikacyjnych-7 S.A. – as a company being taken-over. The merge of the companies has been settled and included on 31 August 2009 in the accountancy books of the company, to which the property of the merged companies passed to, i.e. Trakcja Polska S.A. by means of shares bonding method. The actual merge of the companies, according to IFRS 3 took place at the moment of taking the control, i.e. 1 September 2007.

On 22 June 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 15 June 2011.

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

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

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

On 29 January 2002, the Company was entered in the National Court Register in the Regional Court in Warsaw at the 12th Business Division under file number KRS 0000084266. Trakcja – Tiltra S.A. was assigned the statistical number REGON 010952900, the taxpayer identification no. NIP 525-000-24-39 and code PKD 4212Z.

The Company's seat is located in Warsaw at ul. Złota 59, 18th floor. Time of the Company operation is indefinite.

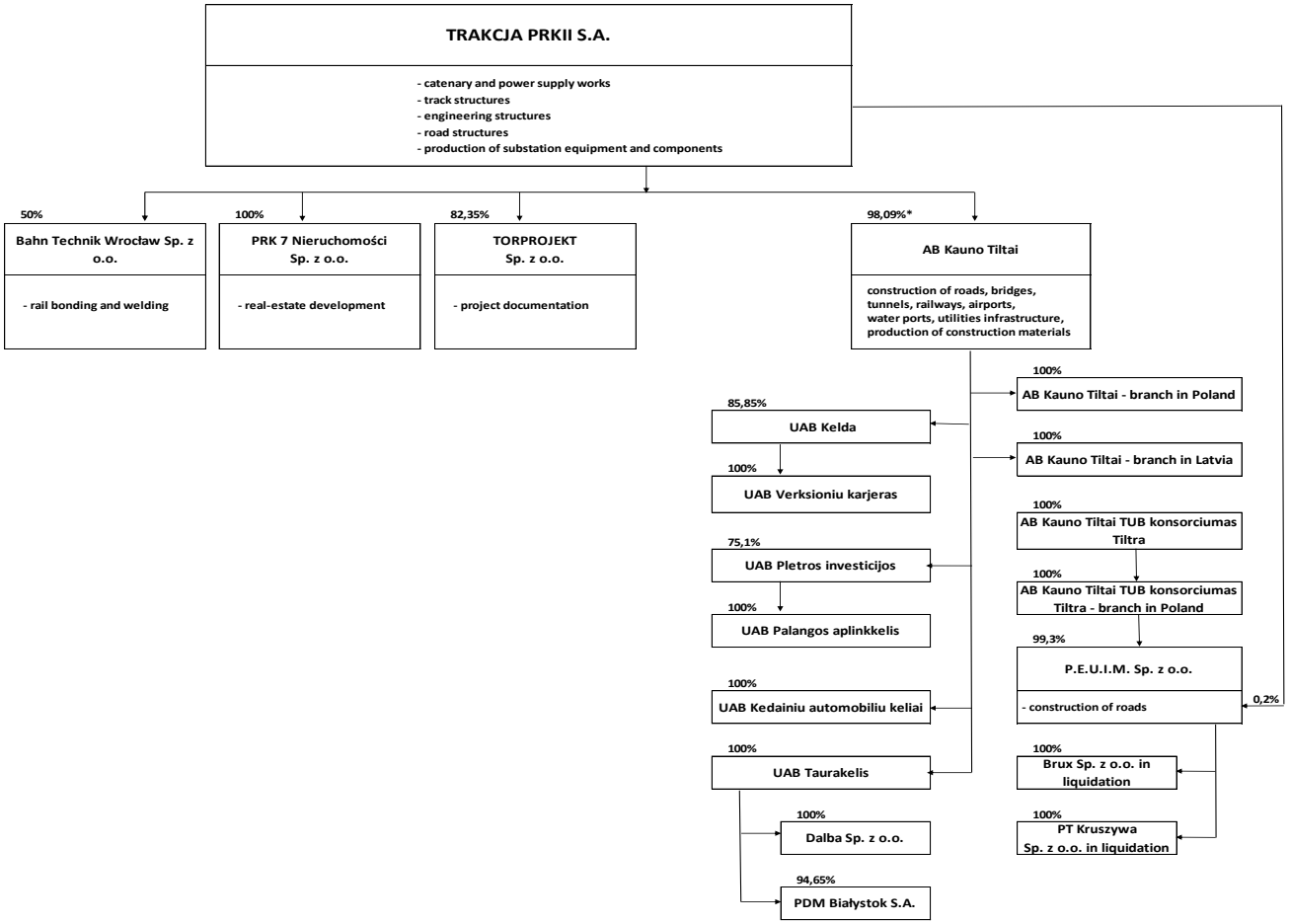
According to the articles of association, the company is engaged in specialist construction and installation services within the scope of railway and tram lines electrification. The company specializes in the following types of activity:

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

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

2. Composition of the Group

As at 31 December 2013 the Group is composed of the parent company Trakcja PRKiI S.A. and the subsidiary entities according to the following schema:



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

The Company is a Parent company of Trakcja PRKiI Capital Group and prepares consolidated financial statement that includes PRK-7 Nieruchomości Sp. z o.o. as well as Torprojekt Sp. z o.o. and companies from AB Kauno Tiltai – consolidated in full. Bahn Technik Wrocław Sp. z o.o. –is recognized as a co-controlled and proportionally consolidated company.

Brux Sp. z o.o. in liquidation and PT Kruszywa sp. z o.o. in liquidation as at December 31, 2013 were not consolidated by the Group. On March 6, 2014 Brux Sp. z o.o. in liquidation has been deleted from the National Court Register.

The highest level parent company is the Spanish company COMSA S.A., which prepares consolidated financial statements including also the data of the Trakcja PRKiI Capital Group.

3. Composition of the Management

As per 31 December 2013, the Management Board of the Company consisted of the following persons:

- Roman Przybył — President of the Management Board,
- Marita Szustak — Vice President of the Management Board,
- Stefan Dziedziul — Vice President of the Management Board,
- Nerijus Eidukevičius — Vice President of the Management Board,
- Tadeusz Kałdonek — Vice President of the Management Board,
- Jarosław Tomaszewski — Vice President of the Management Board.

Within the period from January 1, to December 31, 2013, the Management Board composition has changed as follows:

- On the basis of Resolution No. 2 of the Supervisory Board of June 12, 2013, Mr. Rodrigo Pomar López former Vice-President of the Management Board of the Company was recalled from the Management Board.
- On the basis of Resolution No. 5 of the Supervisory Board of November 28, 2013, Mr. Jarosław Tomaszewski was appointed to perform for the function of the President of the Management Board.
- On the basis of Resolution No. 6 of the Supervisory Board of November 28, 2013, Mr. Stefan Dziedziul was appointed to perform for the function of the President of the Management Board.

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

4. Composition of the Supervisory Board

As per 31 December 2013, the Supervisory Board of the Company consisted of the following persons:

- Maciej Radziwiłł – Chairman,
- Andrzej Bartos – Member of the Supervisory Board,
- Julijus Stalmokas – 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.

Within the period from January 1, to December 31, 2013, the Supervisory Board composition has changed as follows:

- On the basis of Company Statute, Mr. Alvydas Banys was recalled from the Supervisory Board.
- On the basis of Company Statute, Mr. Carles Sumarroca Claverol was recalled from the Supervisory Board.

- On the basis of Resolution No. 6 of the General Meeting of Shareholders, Mr. Andrzej Bartos was appointed to perform for the function of the Member of the Supervisory Board.
- On the basis of Company Statute, Mr. Fernando Perea Samarra was appointed to perform for the function of the Member of the Supervisory Board.

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

5. Approval for publication of the annual consolidated financial statement

This annual financial statement has been approved by the Management Board for publication on 21 March 2014.

6. Significant values based on professional judgment and estimates

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

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

- accurately, clearly and fairly present the financial position of the Company and the results of its operations and cash flows,

- reflect the economic substance of transactions,

- are objective,

- are drawn up in accordance with the principle of prudence and

- are complete in all material respects.

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

6.1. Professional judgment

Fair value of financial instruments

Fair values of the financial instruments for which active market does not exist, are estimated by means of appropriate estimation methods. When selecting the methods and assumptions, the Company follows the professional judgement. Applied assumptions are presented in note No. 44 Additional information and explanations.

Classification of leasing agreements

The Company classifies leasing as operational or financial, based on an assessment of the scope in which risk and benefits due to possession of the object of leasing are assigned to the lessor or the lessee. This assessment is based on the economic content of each transaction. Additional information was presented in notes 10.2.4, 41 and 42.

Investment properties

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

Allocation of the goodwill as cash flow generating units

Pursuant to IAS 36, goodwill is allocated to cash flow generating units. Management of the Company evaluates the allocation of goodwill to the relevant cash generating units. Professional judgment applies in particular to the reallocation of goodwill arising from the acquisition of AB Kauno Tiltai initially assigned to the road segment. As a result of the restructuring of the Group and changed of the cash-generating units the goodwill have been reallocated by the method of relative values in the amount of 128 million PLN to the civil building segment.

Recognition and loss of control over related entities

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

6.2. Uncertainty of estimates

Valuation of liabilities due to employee benefits

Liabilities due to employee benefits concerning retirement severance pays and jubilee awards were estimated based on actuarial methods. Value of the liability depends on numerous factors, which are used as assumptions in the actuarial method. One of the basic assumptions for determining the amount of the liability is the discount rate and the average expected increase of salaries. Applied assumptions are presented in note No. 39 Additional information and explanations. Any change in these assumptions affects the value of the liability.

Provisions for correcting works

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

Provisions for contractual penalties

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

Component of deferred tax assets

The Company recognizes a component of assets by virtue of deferred tax based on the assumption that tax profit shall be attained in the future allowing its utilization. Deterioration of the obtained tax results in the future could cause that such assumption would be unjustified. The Management Board verifies adopted estimations concerning probability of recovering assets due to deferred income tax, based on changes of factors taken into account, new information, and past experiences. Probability of realizing the asset due to deferred income tax with future tax profits is based on the Company’s budget. Company recognized in the books the asset due to deferred income tax up to the amount, to which it is probable that they will generate taxable profit, which will allow offsetting negative temporary differences.

Revenues recognition

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

Depreciation rates

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

Impairment of financial assets

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

Investment properties

Investment properties are valued at fair value. Valuations of investment properties were prepared by independent experts with current qualifications to perform such valuations. The selection of the approach and the method was driven by principles defined in the Act on real properties management and in the Regulation of the Council of Ministers on detailed rules of valuation of real properties and on the rules and mode of preparing appraisal reports. Valuation of the fair value of investment properties was subject to such valuation techniques that maximize the use of observable data. Detailed information is presented in note No. 23 Additional information and explanations.

Approach to the investment in AB Kauno Tiltai

The Company does not perform identification of the cost of investment in terms of the individual companies in the investment made 19 April 2011 concerning the acquisition of shares of several companies tj.AB Kauno Tiltai, Lithold AB and Silentio Investments Sp. z o. o., which was based on a common agreement for the entire transaction. The above agreement sets out the total payment consideration for the whole package of the acquired companies, thereby stating the total purchase price of the whole package companies, not each company separately. The Management Board sees no practical possibility of dividing the purchase price paid. The Company performs an annual impairment test of the investment as a whole.

Impairment of inventory

The Management Board assesses whether there are prerequisites indicating a possibility of an impairment of inventory pursuant to note 10.7. Stating an impairment requires estimation of the net values possible to obtain for inventory, which lost its utility attributes or usability. Additional information is presented in Note 28.

Write-down to trade receivables and other receivables

The Management Board assesses whether there are prerequisites indicating a possibility of an impairment of trade receivables and other receivables. The value of receivables is revaluated in account of the level probability of their payment, through performing a write-down. The value of the write-down depends on the probability of payment of the receivable and on the detailed analysis of significant items comprising the receivable. Depending on the type of client and the source of receivable, assessment of the probability of recovery of the receivable is performed based on individual analysis of certain balances or based on statistical repayment indicators estimated for individual age groups of receivables. Repayment indicators are defined based on observed repayment history and client behaviour, in account of other factors which in the Management's opinion can affect recoverability of current receivables. Additional information is presented in Note 29.

7. Basis for preparing the annual financial statement

The annual financial statement has been prepared according to historical cost principle except the derivative financial instruments and financial assets available for sale, which are estimated according to fair value. The balance sheet value of the included securities of assets and liabilities is corrected by the changes in fair value which can be attributed to risk, against which the assets and liabilities are secured.

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

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

The annual financial statement has been made assuming the continuity of economical operation of the Company that can be predicted in the future. At the day of approving this financial statement, there are no circumstances threatening the operations of the Company.

7.1. Declaration of conformity

The annual financial statement was prepared according to the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board ("ISAB") according to IFRS approved by the European Union. At the day of approving this financial statement, within the scope of accountancy principles applied by the Company, there are no differences between IFRS standards and the IFRS standards approved by the European Union. The standards that did not come into force on 31 December 2013 and were not approved by the European Union at the day of preparing this financial statement are presented in note No. 9.

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

7.2. Currency of measure and currency of financial statements

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

8. Merger of Trakcja S.A. with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.

On the 19 December 2013 the National Court Register kept by the District Court for the City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register registered the merge of Trakcja S.A. ("Acquiring Company") with its registered office in Warsaw with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., with its registered office in Wrocław ("Acquired Company","PRKiI").

The merger of the Company with the Acquired Company took place by way of transferring the entire property of the Acquired Company to the Company, i.e. merger through acquisition within the meaning of Article 492 § 1 point 1 of the Code of Commercial Companies and Partnerships ("Code of Commercial Companies and Partnerships"). Due to the text of Article 515 § 1 and 516 § 6 of the Code of Commercial Companies and Partnerships, the merger shall be performed without increasing the share capital of the Acquiring Company.

The decision on the merger and reorganisation was made in order to improve management of the Trakcja Group and to eliminate some part of the unnecessary processes, which will also allow to reduce operating costs and increase the management efficiency. In the long run, the objective of the merger is to improve coordination of operating activities, unify business processes and increase transparency of the structure of the Trakcja Group.

The merger was accounted for and recognized at 31 December 2013 in the accounting records of the Company, to which the assets of the combined companies were transferred by the method of pooling of interests, i.e. by summing the income and expenses and assets and liabilities of both companies and eliminating the investment that Trakcja SA had in PRKiI and net assets on the acquisition date of PRKiI. The elimination concerned also intra companies balances.

Financial data of PRKiI S.A. on the date of the merger:

Sales	476 992
Costs	461 096
Tax	4 287
Net result	11 609
Assets	299 695
Liabilities	217 118

For the purposes of this report the comparative figures have been restated in such a manner as if the company PRKiI S.A. was a part of the Trakcja S.A. since the beginning of 2012.

PROFIT AND LOSS ACCOUNT	**1.01.2012 - 31.12.2012**	**PRKiI S.A.**	**Exclusions**	**1.01.2012 - 31.12.2012**
	Modified Before merger			After merger
Continued operations				
Sales revenues	**526 567**	**322 471**	**(55 216)**	**793 822**
Cost of goods sold	**(526 674)**	**(312 592)**	**39 130**	**(800 136)**
Gross profit (loss) on sales	**(107)**	**9 879**	**(16 086)**	**(6 314)**
Cost of sales, marketing and distribution	(1 251)	(1 490)	-	(2 741)
General and administrative costs	(23 150)	(7 176)	35	(30 291)
Other operating revenues	5 100	1 265	(1 244)	5 121
Other operating costs	(3 579)	(1 221)	1 244	(3 556)
Operating profit (loss)	**(22 987)**	**1 257**	**(16 051)**	**(37 781)**
Financial revenues	15 636	1 777	(13 675)	3 738
Financial costs	(16 499)	(3 164)	480	(19 183)
Gross profit (loss)	**(23 850)**	**(130)**	**(29 246)**	**(53 226)**
Income tax	6 480	1 480	(3 050)	4 910
Net profit (loss) from continued operations	**(30 330)**	**(1 610)**	**(26 196)**	**(58 136)**
Discontinued operations				
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for financial year	**(30 330)**	**(1 610)**	**(26 196)**	**(58 136)**
Net profit/(loss) in PLN per one share				
– basic from profit for the period	(0,13)			(0,25)
– basic from profit from continued operations	(0,13)			(0,25)
– diluted from profit for the period	(0,13)			(0,25)
– diluted from profit from continued operations	(0,13)			(0,25)

TOTAL COMPREHENSIVE INCOME REPORT	**1.01.2012 - 31.12.2012**	**PRKiI S.A.**	**Exclusions**	**1.01.2012 - 31.12.2012**
	Modified Before merger			After merger
Net profit (loss) for the period	**(30 330)**	**(1 610)**	**(26 196)**	**(58 136)**
Other total income for the period				
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	**(978)**	**(369)**	**-**	**(1 347)**
Profit from revaluation referred into revaluation reserve	-	-	-	**-**
Actuarial gains/(losses)	(978)	(369)	-	**(1 347)**
Total other comprehensive income	**(978)**	**(369)**	**-**	**(1 347)**
TOTAL INCOME FOR THE PERIOD	**(31 308)**	**(1 979)**	**(26 196)**	**(59 483)**

Balance sheet as at 1 January 2012:

ASSETS	Trakcja S.A.	PRKiI S.A.	Exclusions	1.01.2012
	Modified Before merger			After merger
Non-current assets	**557 447**	**62 789**	**(50 254)**	**569 982**
Tangible non-current assets	36 786	59 029	-	95 815
Intangible assets	55 027	33	2 051	57 111
Investment properties	9 218	-	-	9 218
Investments in affiliates	439 583	2 008	(52 305)	389 286
Other financial assets	69	-	-	69
Deferred tax assets	14 244	1 719	-	15 963
Accruals	2 520	-	-	2 520
Current assets	**403 663**	**142 789**	**(31 680)**	**514 772**
Inventory	15 772	19 970	-	35 742
Trade and other receivables	246 566	83 568	(21 571)	308 563
Income tax receivables	-	145	-	145
Other financial assets	4 223	10 810	(9 835)	5 198
Cash and cash equivalents	89 999	18 098	-	108 097
Accruals	2 441	2 668	-	5 109
Construction contracts	44 662	7 530	(274)	51 918
Total assets	**961 110**	**205 578**	**(81 934)**	**1 084 754**
Equity and liabilities				
Equity	**430 609**	**85 694**	**(43 775)**	**472 528**
Share capital	23 211	2 628	(2 628)	23 211
Share premium account	231 596	-	-	231 596
Revaluation reserve	11 704	4 797	(4 797)	11 704
Other capital reserves	106 667	63 549	18 427	188 643
Retained earnings	57 431	14 720	(54 777)	17 374
Long-term liabilities	**188 049**	**23 934**	**(6 673)**	**205 310**
Interest-bearing bank loans and borrowings	3 737	18 186	-	21 923
Bonds	160 040	-	-	160 040
Provisions	759	-	-	759
Liabilities due to employee benefits	7 335	1 514	-	8 849
Provision for deferred tax	16 178	4 234	(6 673)	13 739
Short-term liabilities	**342 452**	**95 950**	**(31 486)**	**406 916**
Interest-bearing bank loans and borrowings	83 332	4 282	(9 834)	77 780
Bonds	5 695	-	-	5 695
Trade and other liabilities	203 939	78 204	(21 571)	260 572
Provisions	1 273	1 959	-	3 232
Liabilities due to employee benefits	3 496	2 478	-	5 974
Construction contracts	44 717	9 027	(81)	53 663
Total equity and liabilities	**961 110**	**205 578**	**(81 934)**	**1 084 754**

Balance sheet as at 31 December 2012:

	Trakcja S.A.	PRKiI S.A.	Exclusions	31.12.2012
ASSETS	Modified Before merger			After merger
Non-current assets	**568 247**	**79 572**	**(48 285)**	**599 534**
Tangible non-current assets	33 055	70 720	-	103 775
Intangible assets	56 207	38	2 051	58 296
Investment properties	11 122	-	-	11 122
Investments in affiliates	436 932	2 008	(52 305)	386 635
Other financial assets	19 339	415	-	19 754
Deferred tax assets	10 108	5 634	1 969	17 711
Accruals	1 484	757	-	2 241
Current assets	**170 947**	**123 181**	**(22 041)**	**272 087**
Inventory	19 147	19 285	-	38 432
Trade and other receivables	74 929	57 515	(6 026)	126 418
Income tax receivables	-	586	-	586
Other financial assets	2 098	4 921	-	7 019
Cash and cash equivalents	37 581	11 182	-	48 763
Accruals	2 450	1 651	-	4 101
Construction contracts	34 742	28 041	(16 015)	46 768
Total assets	**739 194**	**202 753**	**(70 326)**	**871 621**
Equity and liabilities				
Equity	**397 317**	**71 776**	**(58 031)**	**411 062**
Share capital	23 211	2 628	(2 628)	23 211
Basic conditional capital	18 545	-	-	18 545
Due payments for basic capital (negative value)	(18 545)	-	-	(18 545)
Share premium account	231 813	-	-	231 813
Revaluation reserve	9 504	4 797	(4 797)	9 504
Other capital reserves	163 719	65 962	(25 011)	204 670
Retained earnings	(30 930)	(1 611)	(25 595)	(58 136)
Long-term liabilities	**43 414**	**27 533**	**(6 499)**	**64 448**
Interest-bearing bank loans and borrowings	4 396	17 668	-	22 064
Bonds	12 913	-	-	12 913
Provisions	1 052	-	-	1 052
Liabilities due to employee benefits	7 276	1 578	-	8 854
Provision for deferred tax	17 777	8 287	(6 499)	19 565
Short-term liabilities	**298 463**	**103 444**	**(5 796)**	**396 111**
Interest-bearing bank loans and borrowings	19 131	5 996	-	25 127
Bonds	147 761	-	-	147 761
Trade and other liabilities	116 209	86 319	(6 026)	196 502
Provisions	2 179	3 074	-	5 253
Liabilities due to employee benefits	3 069	2 961	-	6 030
Construction contracts	10 114	5 094	230	15 438
Total equity and liabilities	**739 194**	**202 753**	**(70 326)**	**871 621**

Cash flow statement for the period from 1 January 2012 to 31 December 2012:

	For the period of 12 months ended			
	Trakcja S.A.	**PRKiI**	**Exclusions**	**1.01.2012**
	Modified Before merger			After merger
Cash flows from operating activities				
Gross profit from continued operations	**(23 850)**	**(130)**	**(29 246)**	**(53 226)**
Gross profit (loss) from discontinued operations	-	-	-	-
Adjustments for:	**63 497**	**18 095**	**29 246**	**110 838**
Depreciation	6 014	6 118	-	12 132
FX differences	388	(1 170)	-	(782)
Net interest and dividends	500	1 547	13 194	15 241
Profit on investment activities	(1 790)	72	-	(1 718)
Change in receivables	171 275	26 053	(15 544)	181 784
Change in inventory	(3 375)	685	-	(2 690)
Change in liabilities, excluding loans and borrowings	(87 188)	8 301	15 544	(63 343)
Change in prepayments and accruals	1 028	259	-	1 287
Change in provisions	1 199	1 115	-	2 314
Change in construction contracts	(24 682)	(24 445)	16 052	(33 075)
Income tax paid	-	(441)	-	(441)
Other	128	1	-	129
Net cash flows from operating activities	**39 647**	**17 965**	**-**	**57 612**
Cash flows from investment activities				
Sale (purchase) of intangible assets and tangible non-current assets	(2 690)	(14 134)	-	(16 824)
- acquisition	(2 913)	(14 178)	-	(17 091)
- sale	223	44	-	267
Sale (acquisition) of shares and stocks in affiliates and subsidiaries	(64)	-	-	(64)
- acquisition	(66)	-	-	(66)
- sale	2	-	-	2
Financial assets	(1 068)	(4 359)	-	(5 427)
- granted or acquired	200	-	-	200
- repaid	(1 268)	(4 359)	-	(5 627)
Loans	(15 600)	9 834	(9 834)	(15 600)
- repaid	1 266	9 834	(9 834)	1 266
- granted	(16 866)	-	-	(16 866)
Dividend received	13 193	-	(13 193)	-
Interest received	217	145	(145)	217
Net cash flows from investment activities	**(6 012)**	**(8 514)**	**(23 172)**	**(37 698)**
Cash flows from financial activities				
Proceeds on account of taken borrowings and loans	17 000	56 568	-	73 568
Repayment of borrowings and loans	(80 834)	(55 878)	9 834	(126 878)
Dividends paid to the Parent company Shareholders'	-	(13 193)	13 193	-
Interest paid	(19 753)	(1 778)	145	(21 386)
Payment of liabilities under financial lease agreements	(2 466)	(2 046)	-	(4 512)
Other	-	(40)	-	(40)
Net cash flows from financial activities	**(86 053)**	**(16 367)**	**23 172**	**(79 248)**
Total net cash flows	**(52 418)**	**(6 916)**	**-**	**(59 334)**
Net FX differences	-	-	-	-
Cash at start of period	**89 999**	**18 098**	**-**	**108 097**
Cash at end of period	**37 581**	**11 182**	**-**	**48 763**
- with limited access	-	-	-	-

9. New standards and interpretations which were published and did not come into force

In this financial statement, the Company did not make the decision on early application of published standards and interpretations before they came into force.

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

- IFRS 9 *Financial instruments*

The new standard was published on 12 November 2009 and is the first step within IASB in order to replace IAS 39 *Financial instruments: posting and estimation*. Following the publication the new standards has been subject to further works has been partially modified. The new standard will come into force on 1 January 2015.

The Company will implement the new standard from 1 January 2015.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of the applying the new standard.

- IFRS 10 *Consolidated financial statements*

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

The Company will implement the new standard from 1 January 2014, i.e. from the date of entering into force provided for by the European Commission.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of the applying the new standard.

- IFRS 11 *Joint ventures*

The new standard was published on 12 May 2011 and will replace the following interpretations: *SCI 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and *IAS 31 Interests in Joint Ventures.* The standard emphasises rights and obligations resulting from a joint agreement irrespective of its legal form and eliminates inconsistency in reporting through specifying the method for settling shares in jointly controlled entities.

The Company will implement the new standard from 1 January 2014, i.e. from the date of entering into force provided for by the European Commission.

The new standard will bring about a change in the method of recognising co-controlled entities as it disapplies the proportional method.

- IFRS 12 *Disclosure of Interests in other entities*

The new standard was published on 12 May 2011 and contains requirements related to disclosures on relations between entities.

The Company will implement the new standard from 1 January 2014, i.e. from the date of entering into force provided for by the European Commission.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of the applying the new standard.

- IAS 27 *Unit financial statements*

The new standard was published on 12 May 2011 and and results above all from transfer of some provisions of what was previously IAS 27 to the new IFRS 10 and IFRS 11. The standard contains requirements concerning presentation and disclosures of investments in affiliates and joint arrangements in separate financial statements. The standard will replace IAS 27 *Consolidated and separate financial statements*.

The Company will implement the new standard from 1 January 2014, i.e. from the date of entering into force specified by the European Commission.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of the applying the new standard.

- IAS 28 *Investments in associated entities and joint ventures*

The new standard was published on 12 May 2011 and relates to the settlement of investments in affiliates. It also specifies requirements concerning application of the equity method in investments in affiliates and joint ventures. The standard will replace IAS 28 *Investments in associated entities*.

The Company will implement the new standard from 1 January 2014, i.e. from the date of entering into force provided for by the European Commission.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of the applying the new standard.

- Changes in IAS 32 *Offsetting financial assets and liabilities*

The changes in IAS 32 have been published on 16 December 2011 and apply to annual reporting periods starting from 1 July 2014 or later. The changes are a reaction to the existing inconsistencies in applying the existing criteria for offsetting in IAS 32.

The Company will implement the changed IAS from 1 January 2014.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of applying the changed standard.

- Changes in IAS 32 *Offsetting financial assets and liabilities*

The changes in IAS 32 have been published on 16 December 2011 and apply to annual reporting periods starting from 1 July 2014 or later. The changes are a reaction to the existing inconsistencies in applying the existing criteria for offsetting in IAS 32.

The Company will implement the changed IAS from 1 January 2014.

At the day of preparing these consolidated financial statements, it was not possible to reliably estimate the influence of applying the changed standard.

- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

Amendments were published on 29 May 2013 and apply to annual periods commencing on 1 January 2014 or later. The changes result in a modification of the scope of disclosures concerning the impairment of non-financial assets; amongst others, amendments require a disclosure of the recoverable amount of the asset (the centre generating inflows) only for the periods, during which an impairment was recognized, or its reversal in reference to the given asset (or centre). In addition, the amended standard indicates that a wider and more precise scope of disclosures will be required in case of determining the recoverable amount as being the fair value less costs of sale, and in case of determining the fair value less costs of sale and application of a technique of determining the current value (discounted flows) it will be necessary to provide information on the applied discounting rate (in case of recognizing the impairment or its reversal).

The amendments also adjust the scope of disclosures concerning the recoverable amount, regardless of whether it has already been determined as usable value or fair value less costs of sale.

The Company will apply the amendments as from 1 January 2014.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of introduced changes.

- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

Amendments were published on 27 June 2013 and apply to annual periods commencing on 1 January 2014 or later. Amendments allow continuation of hedge accounting (on certain conditions) if the given derivative, being a hedging instruments, is renewed as a result of legal regulations, and the amendment results in a change of the clearing institution. Amendments to IAS 39 are an effect of legal changes in numerous countries, the effect of which was obligatory settlement of existing OTC derivatives and their renewal through a contract with the central clearing institution.

The Company will apply the amendments as from 1 January 2014.

As at the date of these consolidated financial statements, it is not possible to reliably estimate the influence of the application of introduced changes.

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

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

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

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

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

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

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

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

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

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

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

The application of the amended standard will not materially influence the financial statements of the Company.

- IFRS 14 *Regulatory Deferral Accounts*

The new standard was published on 30 January 2014 and applies to annual periods starting from 1 January 2016 or later. The new standard has temporary nature due to the pending IASB works on regulating the manner of settling operations in price regulation conditions. The Standard introduces principles on recognition of assets and liabilities resulting from transactions with regulated prices in case when the entity decides to shift to IFRS.

The Company will implement the new standard from 01 January 2016.

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

- IFRIC Interpretation 21 Levies

The new interpretation was published on 20 May 2013 and applies to annual periods commencing on 1 January 2014 or later. The interpretation includes guidance as to in what periods the liabilities should be recognized in regard to the payment of certain regulatory charges (levies).

The Company will apply the new interpretation as from 1 January 2014.

As at the date of these consolidated financial statements, the new interpretation is not foreseen to influence the Company’s financial statements.

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

- IFRS 9 *Financial instruments* published on 12 November 2009 (as amended),
- Change to IAS 19 Defined Benefit Plans – Employee Contributions published on 21 November 2013,
- IFRS 14 Regulatory Deferral Accounts published on 30 January 2014,

- Changes in the various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2010-2012) published on 12 December 2013;
- Changes in the various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2011-2013) published on 12 December 2012;
- Interpretation of IFRIC 21 Levies published on 20 May 2013.

10. Significant accountancy principles

10.1. Conversion of item in foreign currency

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

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

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

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

Exchange rate on the reporting date	31.12.2013	31.12.2012	31.12.2011
USD/PLN	3,0120	3,0996	3,4174
EUR/PLN	4,1472	4,0882	4,4168
LTL/PLN	1,2011	1,1840	1,2792

10.2. Tangible fixed assets

10.2.1. Fixed assets

Fixes assets are appraised according to the value of purchase or cost of producing reduced by write offs and any write downs by virtue of value loss. The initial value of fixed assets cover their purchase value increased by all costs directly related to purchase and adaptation of the property component for use. The cost consists of costs of replacement of spare parts in machines and devices at the moment they are incurred, if the recognition criteria are met. Costs incurred after the date the fixed asset is transferred for utilization, such as maintenance and repair costs, burden the profit and loss account at the moment they are incurred.
The balance sheet value of the fixed asset consist of costs of regular, significant overhauls which are necessary to prevent defects and which value within individual reporting periods significantly differs. The overhaul value is amortized within the period until the next overhaul or the end of the utilization period of the fixed asset, depending on whichever comes first. Possible remaining balance sheet value of costs of previous overhaul is removed from the balance sheet value of the fixed asset.

Fixed assets (excluding own lands that do not serve for output of useful minerals using open pit methods) are amortized using the linear method within the period of expected economic life. The period of expected economic life of each asset is specified at the day of taking over the asset for use. Fixed assets used based on the lease, rent agreement, etc. where the depreciation expenses are made by the user, are amortized within the period of expected economic life or within the period which the agreement is concluded for, depending on whichever is shorter.

The fixed assets which are not handed over directly for use, but requiring previous assembling, adaptation, other additional works or efforts, are included in the fixed assets in progress until their transfer for use.

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

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

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

- computers	3 years
- tools and instrumentation	5 years
- on-ground tanks	22 years
- boilers, furnaces	from 14 to 25 years
- metal machining machines	from 5 to 14 years
- compressor sets	from 10 to 20 years
- power devices	10 years
- means of transportation	7 years
- heavy duty construction machines	from 5 to 16 years
- small equipment and machines	7 years
- technological wagons	from 14 to 20 years
- storage, workshop, utility wagons	from 14 to 20 years
- storage, utility containers	from 5 to 25 years
- passenger vehicles and trucks (up to 3.5 t)	from 5 to 7 years
- trucks (above	from 5 to 10 years
- office and utility camp	from 10 to 20 years

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

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

10.2.2. Fixed assets in construction

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

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

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

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

10.2.3. Right of perpetual usufruct of land

The Company has the right of perpetual usufruct of land obtained free of charge based on the administrative decision. The right is presented in the balance sheet in the item “Material fixed assets” as lands. According IFRS 1 at the day of transfer to IAS, the right has been assessed in the value resulting from the last administrative decision representing the grounds for establishing the annual charge. The right of perpetual usufruct of land is not subject to amortization.

10.2.4. Leasing

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

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

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

10.2.5. Impairment of non-financial assets

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

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

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

10.2.6. Costs of external financing

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

10.3. Investment property

The Company's investment properties comprise investments in buildings and land held to generate income from lease or due to the expected increase of their value. Initially, investment properties acquired in a separate transaction are valuated at purchase prices with consideration of the costs of transaction. In other cases, e.g. purchase during acquisition of another business entity, they are initially recognized at fair value.

After initial recognition, all investment properties are presented at fair value.

Determination of fair value can consist of:

- revaluation, based on valuation performed by an independent expert with recognized and relevant professional qualifications and experience in valuation of properties with location and characteristics similar to the valuated property;
- analysis of data from the active market of current market prices of similar investment properties with similar location and in comparable state.

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

A change of fair value of investment properties taking place during the year is presented in the profit and loss statement. In case of moving a component of the Company's assets from fixed assets to investment properties, the difference between valuation at fair value and the balance sheet value of such component is recognized in revaluation reserve, and any further changes – in the profit and loss statement.

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

10.4. Intangible assets

Intangible assets acquired within the scope of separate transaction are included in the balance sheet according to the purchase price. Intangible assets acquired within the scope of taking over an economic entity, are included in the balance sheet according to the fair value at the day of the take over. After initial posting, intangible assets are shown at the purchase price or costs of production reduced by write downs and depreciations by virtue of value loss.

Outlays paid for intangible assets produced within own scope, except the activated outlays paid in aid of development works, are not activated and posted in the costs of the period they were paid.

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

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

10.4.1. Cost of research and development work

The costs of research works are included in the profit and loss account at the moment they are paid. Outlays paid for the development works performed within the scope of the given company are transferred to the following period, if it is expected that they can be recovered in the future. After initial posting of outlays for development works, the model of historical costs is applied, which requires that assets components are posted according to the purchase prices reduced by the cumulated amortization and cumulated write downs by virtue of value loss. Any outlays transferred to the following period are amortized within the expected period of receiving profits on sale from the given company.

Costs of development works are each year subjected to evaluation from the point of view of possible value loss if an asset component has not yet been put into use or more frequently, if during the reporting period, there shall be a premise of value loss indicating that their balance sheet value would not be recovered.

At each balance sheet date, costs of development work in progress, are presented among intangible assets as separated item “Intangible assets in progress”.

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

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

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

10.4.2. Goodwill

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

At the day of taking over, the goodwill is allocated to each of the cash generating units that could make use of the merge synergy. Each of the units or set of centers which are assigned with the goodwill should:

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

Loss of value is set by estimating the recoverable value of the cash generating units, to which the given goodwill was allocated. In case when recoverable value of the cash generating units is lower than the balance sheet value, depreciation by virtue of loss of value is posted. In case when the goodwill represents a part of the cash generating units and part of the company shall be sold within the scope of this units, while establishing profits or losses on sale of such business, the goodwill related to the sold business shall be included to its balance sheet value. In such circumstances, the sold goodwill is established based on relative value of sold business and the value of retained part of the cash generating units.

10.5. Financial instruments

The financial assets can be divided to the following categories:

- financial assets kept until maturity,
- financial assets assessed according to the fair value by the financial result,
- loans and liabilities,
- financial assets available for sale.

The financial liabilities are divided to:

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

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

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

Loans and liabilities are financial assets not accounted for derivative instruments, of fixed or possible to be fixed payments, not quoted at the active market. The granted loans are included according to the amortized cost. They are included to current assets unless their maturity does not exceed 12 months since the balance sheet date. Loans and liabilities of maturity exceeding 12 months since the balance sheet date are accounted for fixed assets.

The remaining financial assets are the financial assets available for sale. The financial assets available for sale are posted according to the fair value without deducting transaction costs, considering market value at the balance sheet date. In case of absence of the exchange quotation at the active market and if it is not possible to reliably specify their fair vale using alternative methods, the financial assets available for sale are assessed at the purchase price corrected by the depreciation by virtue of value loss, if they were assessed in historical values.

Positive and negative difference between the fair value and the purchase value, after reducing by the deferred tax, of assets available for sale, if the market price exists that is set at the controlled active market or of which the fair value can be set in other reliable manner, relates to the reserve capital from the revaluation. Drop of value of assets available for sale caused by loss of value is posted at the profit and loss account as the financial cost.

The derivative instruments, which are not specified as security instruments, are classified as financial assets or liabilities assessed according to real value by the financial result and shown in real value with the assessment effect posted in the profit and loss account.

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

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

Purchase or sale of the financial assets is recognized at the moment of performing the transaction. At the moment of the initial posting, they are assessed at the purchase price, i.e. fair value including the transaction costs.

Impairment of financial assets

At each balance sheet date, the Company evaluates whether impartial premises of value loss by the financial asset component of financial assets group exist.

Financial liabilities

The financial liabilities are assessed at the moment of their positing in the books at fair value. During the initial assessment, costs of transactions are included, except for financial liabilities accounted for the category assessed at fair value by the financial result. The transaction costs of sale of the financial liabilities component are not taken into account during further assessment of such liabilities. Component of the financial liabilities is

given in the balance sheet when the Company becomes a party to the contract, from which the financial liability results.

Financial liabilities assessed according to the real value by the financial result

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

Within the Company, the financial liabilities assessed at fair value by the financial result include derivative instruments (the Company does not apply the security accounting) of negative fair value. Liabilities accounted for the financial liabilities assessed at the fair value, are assessed at each reporting date at fair value and all profits or losses are posted to incomes or losses on operational business. Assessment of the derivative instruments at fair value is performed at the balance sheet date and at each end of the reporting period based on the assessments performed by the banks realizing the transactions. Fair value of the debenture instruments is represented by future cash flows discounted by the current market interest rate proper for similar instruments.

Financial liabilities assessed at amortized cost

Remaining financial liabilities, not included in the financial liabilities assessed at fair value by the financial result, are accounted for the financial liabilities assessed at amortized cost. In this category, the Company includes mostly liabilities by virtue of supplies and services, incurred credits and loans. Liabilities included in this category are assessed at the amortized costs, using the effective interest rate.

10.6. Derivative financial instruments

The derivative financial instruments used by the Company in order to secure against the risk related to currency exchange rate differences, are currency contracts of forward type. These derivative financial instruments are assessed according to the fair value. The derivative instruments are posted as financial assets when their value is positive and as financial liabilities in case the value is negative.

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

Fair value of currency forward contract is set by referencing to current exchange rates with fixed date (forward) present in case of contracts of similar character.

10.7. Inventory

Inventory is assessed according to the purchase price or costs of production not higher than their sale price possible to be achieved at the balance sheet date.
The production cost does not include the following costs:
- resulting from unused production capacities and production losses,
- storage costs, unless its payment is necessary during the production process,
- margin on internal turnover (margin on services performed by auxiliary business in aid of the main business and margin on internal sale between different divisions of the main business), that is subject to elimination in relation to the costs of internal turnovers,
- general cost of management and costs of sale, marketing and distribution.

Expenditure of inventory is assessed at prices (costs) of these assets components, which the entity purchased (manufactured) earlier – applying FIFO method (First-In-First-Out).
The write downs on the inventory made in relation to permanent loss of value or caused by assessment leading their value to sales price possible to be obtained, reduce the item value in the balance sheet and are posted in the own cost on sale. These are specific write offs related to the given items of the inventory.

Regardless of the specific write offs given above, at each balance sheet date, general write downs are prepared related to the inventory in stock in total according to the below model:

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

General write offs reduce the inventory value in the balance sheet and are accounted for own costs on sale.

Inversion of the write downs on the inventory value is posted as reduction of own costs on sale.

Sale price possible to be obtained is the estimated sale price made during the business operations, reduced by the costs of finishing and estimated costs necessary to complete the sale.

10.8. Trade receivables and other receivables

Receivables by virtue of supplies and services which maturity is usually 30 days are posted and disclosed according to initially invoiced amount, considering the write down on the bad debt value. In case the money in time influence is significant, value of receivables is set by discounting the expected future cash incomes at the current value, using the discount rate reflecting the actual market estimation of the value of money in time. If the method consisting in discounting is applied, the increase of receivables in relation to the time is posted as financial incomes.

In case the receivables are threatened, disputable, asserted in court, vindicated or doubtful due to any other reasons, specific write downs are created in full amount of the receivables value reduced by the fair value of possessed reliable securities. The write down of doubtful receivables value is estimated when vindication of the whole amount is no longer probable. Particularly, receivables outstanding more than 180 are considered doubtful receivables. Bad receivables are written off if they are found impossible to collect. The write downs on receivables reduce their value in the balance sheet and are posted to own cost on sale or financial costs adequately, based on the type of receivables the write down applies to. Inversion of the write downs on the receivables value is posted as reduction of own costs on sale.

10.9. Cash and equivalent

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

10.10. Equity

Equities are posted in the accountancy books with distribution to types and according to principles stipulated by the law and articles of association of the Company.

Basic capital is shown according to the nominal value, in the amount in conformity with the articles of association of the Company and entry to the commercial register.

Declared, but not paid capital is posted as due contributions in aid of capital. Own shares and due contributions in aid of the share capital reduce the equity of the Company

Reserve capital is created according to the stipulation of the commercial law, that necessitate that equity is increased by at least 8% of the profit in the given fiscal year, until the capital reaches at least on third of the initial capital.

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

Costs of shares issue incurred while establishing the joint stock company or increasing the initial capital, reduce the share premium to the value of issue surplus over the nominal value of shares and the remaining part, the Company presents in item “Other reserve capital”.

The other reserves include:

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

Retained earnings include the profit of the current reporting period.

10.11. Interest bearing bank credits, loans and debt securities

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

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

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

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

10.12. Liabilities by virtue of supplies and services and other liabilities

Short term liabilities by virtue of supplies and services are posted in the amount that needs to be paid. The financial liabilities which are not financial instruments assessed in the fair value by the financial result, are assessed according to the amortized cost using the method of effective interest rate.

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

10.13. Provisions

The reserves are created when the Company is burdened with an obligation (legal or customary) resulting from the past events, and when it is probable that meeting this obligation shall cause the outflow of economic benefits and reliable estimation of the liability amount may be performed. If the Company expects that cost covered by the reserve shall be returned, for example based on the insurance contract, then such return is posted as separated component of assets, but only when it is practically sure that the return shall take place. Costs related to the given reserve are posted in the profit and loss account after reduction by any returns.

In case the money in time influence is significant, value of reserve is set by discounting the expected future cash incomes at the current value, using the gross discount rate reflecting the actual market estimation of the value of money in time and possible risk related to the given liability. If the method consisting in discounting is applied, the increase of reserve in relation to the time is posted as financial costs.

10.13.1. Severance payments and jubilee awards

According to the company remuneration system, employees of the Company are entitled to jubilee awards and severance payments. The jubilee awards are paid to the employees who worked for the set amount of years. The severance payments are paid one time at the moment an employee retires. The amount of severance payments and jubilee prizes depends on the seniority and average remuneration of an employee. The Company creates a reserve for future liabilities by virtue of severance payments and jubilee prizes in order to assign costs to periods which they relate to. According to IAS 19, the jubilee prizes are long term employee benefits and severance payments are programs of specified services after the employment period. Current value of these liabilities at the balance sheet date is calculated based on commonly accepted actuarial methods. Calculated liabilities are equal to the discounted payments which shall be made in the future considering the employment turnover and relate to the period form the balance sheet date. Demographic information and information of employment turnover are based on the history. Profits and losses on actuarial calculations are posted in the profit and loss account. Actuarial gains and losses from the valuation of the pension benefits and jubilee awards are recognized in other comprehensive income in the period in which they arise. Other costs relating to defined benefit plans is recognized in profit or loss once in the period in which they arise.

10.14. Prepayments and accruals

Prepayments and accruals include in particular:
- rents paid in advance,

- insurances,
- subscriptions,
- outsourced services paid in advance that shall be performed in the future periods.

Write offs of active prepayments and accruals take place appropriately to time and amount of benefit. Time and method of settlement is justified by the character of settled costs, providing caution principle.

In case of prepayments and accruals falling in the following periods, which settlement shall not be completed within 12 months since the balance sheet date, such settlements are presented as a separate item in the balance sheet related to long term prepayment and accruals.

10.15. Incomes and costs

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

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

In the operational incomes, the assessment and currency transaction realization effect is presented that secures long term construction contract concluded in foreign currency.

10.15.1. Sale of goods and products

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

10.15.2. Performing services

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

Progress set according to the above principles is used to specify the sale value in relation to the incomes value resulting from the stipulations of the concluded contract. Difference between the set (booked) sales value and the invoiced value for the service receivers is posted to the item of prepayments and accruals in assets – in case of positive difference or liabilities – in case of negative difference.

If the extent of non completed service cannot be reliably set at the balance sheet date, the income is established in the amount of costs incurred within the given reporting period, however no higher than costs which compensation by the ordering party in the future is probable.

In case when it is probable that total costs of executing the contract shall exceed the total incomes by virtue of the contract, the expected loss is posted as the cost of the period in which it was revealed.

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

Incomes on sale of construction and installation services cover also the effect of currency transactions evaluations securing the long term construction contracts concluded in foreign currency.

10.15.3. Interests

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

10.15.4. Dividends

Dividends are posted at the moment of establishing the rights of shareholders until their collection.

10.16. Taxes

10.16.1. Current tax

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

10.16.2. Deferred tax

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

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

- except the situation where the reserve for deferred tax is created as a result of the initial posting of the goodwill and initial posting of assets component of liability during transaction that does not represent the merge of economic entities and at the moment of conclusion did not influence the gross financial result and income subject to taxation or tax loss and
- in case of negative temporary differences resulting from the investment in subsidiaries or affiliated entities and shares in joint ventures – except the situation where the period of inverting the temporary differences are subject to the investor's control and where it is probable that in the predictable future, the temporary differences shall not invert.

Assets by virtue of deferred tax are posted in relation to all negative temporary differences as well as not used tax assets and not used tax losses transferred to the following years in the amount in which it is probable that the taxable income shall be obtained that shall allow to use the above mentioned difference, assets and losses:

- except the situation where the assets by virtue of the deferred tax related to negative temporary differences are created as a result of the initial posting of the assets or liabilities component during transaction that does not represent the merge of economic entities and at the moment of conclusion did not influence the gross financial result and income subject o taxation or tax loss and
- in case of negative temporary differences by virtue of the investment in subsidiaries or affiliated companies and shares in joint ventures, assets component by virtue of deferred tax is posted in the balance sheet only in the amount in which it is probable that in the predictable future, the above mentioned differences shall invert and taxable income shall be obtained that shall allow deducting negative temporary differences.

The balance sheet value of the assets component by virtue of deferred tax is verified at each balance sheet date and is subject to gradual reduction by the amount which is no longer probable to obtain the taxable income sufficient to partially or completely execute the assets component by virtue of deferred income tax.

Assets by virtue of the deferred income tax and the reserve for the deferred tax are assessed using the tax rates which according to expectations shall be in force during the period when the assets component shall be executed or reserve settled, assuming as the base the tax rates (and tax regulations) applicable at the balance sheet date or which applicability in the future is sure at the balance sheet date.

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

The Company compensates the assets by virtue of deferred income tax with the reserves by virtue of deferred income tax when and only when it possesses the option to execute the legal right to performing compensations of receivables with reserves by virtue of current tax and the deferred income tax is related to the same taxpayer and the same tax body.

10.17. Goods and services tax

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

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

The goods and services tax net amount that is possible to be recovered or payable in aid of the tax bodies is posted in the balance sheet as a part of receivables or liabilities.

10.18. Net profit per share

Net profit per share for every period is calculated by dividing net profit assigned to the shareholders of the Parent company for a particular period by weighted average number of shares within the reporting period. Diluted net profit per share for every period is calculated by dividing net profit assigned to the shareholders of the Parent company for a particular period by the sum of weighted average number of common shares within the reporting period and all potential diluted shares.

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

11. Effect of application of new accountancy standards and changes of accountancy policy

The accountancy principles (policy) applied to prepare this consolidated financial statement for the fiscal year ended on 31 December 2013 are coherent with those which were applied while preparing the financial statement for fiscal year ended on 31 December 2012, excluding the changes given below. The same principles were applied for the current and comparable period, unless the standard and interpretation assumed only the prospective application.

Changes resulting from IFRS changes:

The following new or changed standards and interpretations issued by the International Accountancy Standard Board and the Committee ref. International Financial Reporting Interpretations are in force since 1 January 2013:

- IFRS 13 Fair value measurement;
- Amendments to IAS 19 Employee Benefits;
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income;
- Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Liabilities;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine;
- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2009-2011);
- Amendments to IFRS 1

The application of the above did not affect the results of the Company's business activity and financial situation and only resulted in changes to the applied accounting principles or expansion of the scope of essential disclosures or a change in applied terminology.

Main consequences of the application of new regulations:

- IFRS 13 *Fair Value Measurement*

The new standard was published on 12 May 2011 and supposedly was to facilitate the application of fair value measurement through limiting the complexity of solutions, and increase the consequence in the application of fair value measurement principles. The standard expressly defines the purpose of such measurement and specifies the definition of fair value.

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

- Amendments to IAS 19 *Employee Benefits*

Amendments to IAS 19 were published on 16 June 2011 and apply to annual periods commencing on 1 January 2013 or later. The changes eliminate the possibility of a delay in the recognition of profits and losses, known as the "corridor approach". In addition, the amendment provides for an improvement in the presentation of changes in the balance sheet resulting from employee benefit plans as well as essential estimates presented in other comprehensive income; moreover, the scope of the required disclosures is expanded.

Application of the new standard resulted in transformation of comparative data disclosed in the financial statements of the Company. As a result the Company has changed the presentation of actuarial gains and losses by recognizing them in other comprehensive income (previously in profit and loss account). As a result of the application of the standard in the financial statements at 31 December 2012 there was a decrease in other comprehensive income for the period from 1 January 2012 to 31 December 2012 in the amount of PLN 1,347k (PLN 1,663k gross, net of deferred tax of PLN 316k) with an increase in the net profit of the same amount.

There was a decrease in the balance of other operating activity in Profit and loss account for 2012 in the amount of PLN 1,663k and an increase in deferred tax in the amount of PLN 316k.

- Amendments to IAS 1 *Presentation of Other Comprehensive Income*

Amendments to IAS 1 were published on 16 June 2011 and apply to annual periods commencing on 1 July 2012 or later. The changes concern grouping other comprehensive income items, which can be reclassified to the profit and loss statement. In addition, the changes confirm the possibility to present other comprehensive income and items of the profit and loss statement as one or two separate statements.

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

- Amendments to IFRS 7 *Disclosures– Offsetting Financial Assets and Financial Liabilities*

Amendments to IFRS 7 were published on 16 December 2011 and apply to annual periods commencing on 1 January 2013 or later. Without amending the general rules of offsetting financial assets and financial liabilities, the scope of disclosures on offsetting such amounts was expanded. In addition, a requirement was introduced with regard to wider (more transparent) disclosures connected with credit risk management using collaterals (liens) received or granted.

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

- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

The IFRIC Interpretation 20 was issued on 19 October 2011 and applies to annual periods commencing on 1 January 2013 or later. The Interpretation includes guidelines as to accounting for the cost of the removal of external layers of soil in order to gain access to extracted raw materials in surface mines.

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

- *Amendments to various standards, pursuant to the Annual Improvements 2009-2011*

On 17 May 2012, further amendments were published to the seven standards, resulting from the proposed changes to the International Financial Reporting Standards published in June 2011. These mainly apply to annual periods commencing on 1 January 2013 or later (depending on the standard).

The Company applies amended standards in the scope of the changes as from 1 January 2013, unless a different effective date is foreseen.

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

- *Amendments to IFRS 1*

Amendments to IFRS 1 were published on 13 March 2012 and apply to annual periods commencing on 1 January 2013 or later. The purpose of the changes is to allow the exclusion of all entities that apply IFRS for the first time from the requirement of retrospective application of all IFRSs if such entities are taking advantage of government loans with interest rates at a level below market rates.
The application of the new standard does not have influence on the Company's financial statements.

In addition, in these financial statements, the Company applied the following standards or amendments thereof for the first time, according to their effective dates set by the European Commission different from the dates set by the International Accounting Standards Board.

- *Amendments to IFRS 1 Sever Hyperinflation and Removal of Fixed Dates*

Amendments to IFRS 1 were published on 20 December 2010 and apply to annual periods commencing on 1 July 2011 or later. The changes concern a reference to the fixed date of "1 January 2004" as the date for application of IFRS for the first time, and amend it to "the date of first time IFRS adoption" to eliminate the need to transform transactions, which occurred before the date on which the entity shifted to IFRS. In addition, guidelines were added to the standard concerning IFRS re-application during periods occurring after severe hyperinflation periods, preventing full IFRS compliance.
The amended IFRS 1 dos not influence the Company's financial statements.

- *Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets*

The amendment to IAS 12 was published on 20 December 2010 and applies to annual periods commencing on 1 January 2012 or later. The change specifies, amongst others, the method of measuring assets and deferred income tax provision in case of investment property valuated in accordance with the fair value measurement model as defined in IAS 40 *Investment Property.* The entry into force of the amended standards will also result in revocation of the SIC interpretation 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*.

The amended IAS 12 does not influence the Company's financial statements.

- **Changes introduced by the Company itself**

The Company introduced the following changes during the period.

Investment property

In the reporting period, the Company changed accounting policy regarding the investment properties' valuation method. In the Company's opinion, application of changed policy shall result in including in Company's financial statements more reliable and useful information concerning the influence of assets held on the Company's financial situation.

Starting from the financial year beginning on January 1, 2013, these principles are as follows:

The Company's investment properties comprise of investments in buildings and land held in order to generate revenues on rental or on their expected value gain. Initially, investment properties acquired in a separate purchase transaction are measured at its purchase price, with a consideration of transaction costs. In remaining cases, e.g.: acquisition of business unit, the investment properties are initially recognised at fair value.

After initial recognition all investment properties are measured at fair value.

Determining a fair value can involve:

- an appraisal conducted by an independent appraiser having recognition and relevant professional qualifications as well as experience in appraising properties of a location and characteristics similar to the property appraised;

- an analysis of data coming from an active market of current market prices of similar investment properties that are similarly situated and are in a comparable condition.

Assets are transferred to and from investment properties only when there is an evident change in the intended method of their use.

Investment properties' fair value change appearing within a year is reported in the profit and loss account. In case of transferring the Company's asset from fixed assets to investment properties, the difference between the fair value and the balance sheet value of such an asset is recognised in the revaluation reserve and any following changes – in the profit and loss account.

If the unit is able to reliably determine fair value of investment property under construction, which has previously been measured at costs, then, it measures this property at fair value in its financial statements. When the unit completes the construction of its own investment property that shall be recognised at fair value, the

difference between the property's fair value as of that day and its previous balance sheet value shall be reported in the profit and loss account.

The Company owns, among others, lands and buildings that are maintained in order to gain profits on them in a form of increasing their value and earning revenues on rental.

Change the appropriation of tangible non-current assets to investment property

In the reporting period, the Company decided to change the appropriation of some lands and buildings constituting fixed assets in the balance sheet as of December 31, 2012. As of January 1, 2013, selected lands and buildings have been qualified as investment properties measured at fair value as of the day of changing their appropriation and the difference between fair value and carrying amount as of the date of reclassification was recognized in revaluation reserve. The revaluation adjustment of these lands and buildings as of the balance sheet day December 31, 2013 has been recognised in the year's result.

Total fair value of lands and buildings subject to requalification (as a result of appropriation change) amounted to:

As of 01.01.2013: PLN 10,429 thousand.

The difference between the fair value and the balance sheet value of the reclassified assets as at January 1, 2013 amounted PLN 8,693 thousand and has been recognised in the revaluation reserve in the net amount of PLN 7,041 thousand.

The results of changing accounting policy

Pursuant to the aforementioned accounting policy, starting from the financial year beginning on January 1, 2013, the Company measures its investment properties at fair value.

As a result of implemented accounting policy changes, the amount of PLN 4,148 thousand, which is the value of a surplus in fair value of an investment property stipulated as of the balance sheet day over its fair value as of January 1, 2013, has been recognised in other operating revenues, in current reporting period. The investment property component in Statement of financial position shows the revalued property according to the valuation provided for by the independent appraiser.

Pursuant to IAS 8 requirements, comparable data were corrected as of December 31, 2012 and as of the beginning of a reporting period that is presented the earliest – i.e.: as of January 1, 2012. The correction introduced had an impact on the net profit (an increase in 2012 net profit by PLN 1,542 thousand and an increase in Company equity by PLN 6,039 thousand).

All investment property valuations as at December 31, 2013, as at January 1, 2013 (date of appropriation change of some land and buildings) and as at January 1, 2012 (date of the earliest presented period) were conducted by independent appraiser on the basis of market data.

Costs' presentation change

The Company changed the presentation of selected departments' costs from general administrative cost, where they had been previously presented, to cost of goods sold due to the fact that services of these departments are provided within basic activity (under construction contracts). In the Company's Management Board's opinion, such presentation shall reflect the Company's financial situation more appropriately. Pursuant to IFRS requirements, comparable data were changed: cost of sales increased by PLN 1,723k and general and administrative costs decreased by the same amount.

12. Selected financial data converted to Euro

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
31.12.2013 r.	4,2110	4,0671	4,3432	4,1472
31.12.2012 r.	4,1736	4,0465	4,5135	4,0882

* Average exchange rate at the last day of each month in the fiscal year.

Basic balance sheet items in conversion to Euro:

	31.12.2013		31.12.2012	
	TPLN	TEUR	TPLN	TEUR
Non-current assets	607 954	146 594	599 534	146 650
Current assets	542 330	130 770	272 087	66 554
Total assets	**1 150 284**	**277 364**	**871 621**	**213 204**
Equity	537 603	129 630	411 062	100 548
Long-term liabilities	98 051	23 643	64 448	15 764
Short-term liabilities	514 630	124 091	396 111	96 892
Total equity and liabilities	**1 150 284**	**277 364**	**871 621**	**213 204**

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

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

	For the period of 12 months ended 31.12.2013		For the period of 12 months ended 31.12.2012	
	TPLN	TEUR	TPLN	TEUR
Sales revenues	987 913	234 604	793 822	190 201
Cost of goods sold	(945 063)	(224 429)	(800 136)	(191 714)
Gross profit (loss) on sales	42 850	10 175	(6 314)	(1 513)
Operating profit (loss)	28 205	6 698	(37 781)	(9 052)
Gross profit (loss)	16 674	3 960	(53 226)	(12 753)
Net profit (loss) from continued operations	26 220	6 227	(58 136)	(13 930)
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	26 220	6 227	(58 136)	(13 930)

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

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

	For the period of 12 months ended 31.12.2013		For the period of 12 months ended 31.12.2012	
	TPLN	TEUR	TPLN	TEUR
Cash flows from operating activities	(59 150)	(14 047)	57 612	13 804
Cash flows from investment activities	(3 144)	(747)	(37 698)	(9 032)
Cash flows from financial activities	47 275	11 227	(79 248)	(18 988)
Total net cash flows	(15 019)	(3 567)	(59 334)	(14 216)

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

	31.12.2013		31.12.2012	
	TPLN	TEUR	TPLN	TEUR
Cash at start of period	48 763	11 928	108 097	24 474
Cash at end of period	33 744	8 137	48 763	11 928

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

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

Euro exchange rate at the last day of the fiscal year that ended on 31 December 2011 amounted 4.4168 PLN.

13. Revenues from sale

	Financial year ended	
	31.12.2013	31.12.2012
Sales revenues		Modified
Revenues from sale of construction services	942 607	758 233
Revenues from sale of goods and materials	9 833	25 600
Revenues from sale of other products and services	35 473	9 989
Total	**987 913**	**793 822**

	Financial year ended	
	31.12.2013	31.12.2012
Sales revenues		Modified
Contracts	942 607	758 233
Other sales	45 306	35 589
Total	**987 913**	**793 822**

	Financial year ended	
	31.12.2013	31.12.2012
Cost of goods sold		Modified
Contracts	904 723	764 438
Other sales	40 340	35 698
Total	**945 063**	**800 136**

	Financial year ended	
	31.12.2013	31.12.2012
Sales margin		Modified
Contracts	37 885	(6 205)
Profit or loss on currency hedging of contracts	-	-
Other sales	4 965	(109)
Total	**42 850**	**(6 314)**

14. Cost of operations

Costs by type:

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Depreciation	10 139	12 133
Consumption of materials and energy	243 834	172 561
External services	620 178	536 368
Taxes and charges	2 901	2 844
Payroll	73 141	71 089
Social security and other benefits	17 344	17 361
Other types of costs	9 584	12 246
Total costs by type	**977 121**	**824 602**
Change in inventories, products and prepayments	7 605	4 343
Cost of manufacture of products for the entity's own needs (negative value)	(18 185)	(16 791)
Cost of sales, marketing and distribution (negative value)	(2 741)	(2 741)
General and administrative costs (negative value)	(28 363)	(30 291)
Manufacturing cost of products sold	**935 436**	**779 122**
Value of materials and goods sold	**9 626**	**21 014**
Cost of goods sold	**945 063**	**800 136**

Costs of remunerations and other employees benefits

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Costs of payroll and employment termination benefits	73 141	71 089
Social security costs	12 226	12 369
Provisions for retirement pay and disability benefits	113	(934)
Provision for jubilee awards	(922)	(711)
Provision for unused leaves	160	41
Employee benefits under Employee Pension Program	580	573
Other employee benefits	4 539	4 419
Total	**89 836**	**86 846**

Provisions for severance and pension payments, jubilee prizes and not used holiday are created in the other operational costs shown in note No. 16.

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

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

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

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Items recognised in cost of goods sold		
Depreciation of fixed assets	8 653	10 539
Amortisation of intangible assets	276	255
Total	**8 929**	**10 794**
Items recognised in cost of sales, marketing and distribution		
Depreciation of fixed assets	24	28
Amortisation of intangible assets	20	17
Total	**44**	**45**
Items recognised in general and administrative costs		
Depreciation of fixed assets	1 066	1 080
Amortisation of intangible assets	100	214
Total	**1 166**	**1 294**
Depreciation of fixed assets	9 742	11 648
Amortisation of intangible assets	396	486
Total	**10 139**	**12 132**

15. Other operating incomes

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Released provisions, including:	**1 362**	**2 308**
- for retirement and disability benefits	37	1 142
- for jubilee awards	1 325	1 165
Other, including:	**17 184**	**2 813**
- investment property valuation	4 148	1 904
- surplus of inventory	-	53
- received penalties and fines	129	66
- donations received	243	225
- reimbursed costs of litigious proceedings	21	30
- redeemed liabilities	6 225	132
- profit on sale of non-financial non-current assets	6 023	60
- other	395	343
Total	**18 546**	**5 121**

The Company has made on 31 December 2013 revaluation of investment properties and recognized the positive impact on the result in the amount of PLN 4,148k.

Revenues from redeemed liabilities in the amount of PLN 6,225k result of the agreement with the contractor. Details of the agreement are described in note 49.2.

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

16. Other operating costs

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Established provisions for liabilities, including:	**160**	**41**
- for leaves	160	41
Other, including:	**1 927**	**3 515**
- revaluation of non-financial assets	-	157
- paid penalties, fines, compensations	219	156
- litigation costs paid	37	8
- donations made	33	4
- value of liquidated non-financial assets	2	77
- value of liquidated inventory	115	-
- reorganization costs of the production division	533	2 791
- depreciation of inventories held for sale	156	161
- written-off receivables	-	12
- revaluation write-off for fixed assets	115	-
- costs of concluding the agreement related to redeemed liability	640	-
- other	77	149
Total	**2 087**	**3 556**

17. Financial incomes

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Financial revenues from interest, including:	2 361	2 225
- bank interest	306	1 078
- interest on receivables	200	21
- interest on released provisions for interest on liabilities	828	293
- on loans	1 018	741
- other	9	92
Income from received dividends	1 000	-
Profit from exchange rate differences	53	983
Reversal of impairment losses on receivables interest	-	250
Reversal of provisions for interest on liabilities	38	-
Profit on sale of investments	-	3
Other financial revenues	164	277
Total	**3 616**	**3 738**

18. Financial costs

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Financial costs on account of interest, including:	12 401	17 562
- interest on loans and borrowings	6 292	3 895
- on liabilities	359	963
- on leasing	771	709
- on bonds	4 425	11 326
- other	555	669
Costs associated with converting bonds into shares (non-cash)	702	-
Factoring related costs	837	-
Revaluation write-offs on bonds	271	634
Financial commission costs	649	369
Financial expenses due to write-downs of receivables' interest	64	-
Financial costs on account of bank and insurance guarantees costs	-	216
Financial expenses from the tax on the loan agreement	-	-
Loss on valuation of forward contracts	144	285
Other financial costs	78	117
Total	**15 148**	**19 183**

19. Income tax

19.1. Current income tax

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Gross profit	**16 674**	**(53 226)**
Differences between gross profit (loss) and income tax base (by title)		
- temporary differences, including:	**33 963**	**(12 153)**
depreciation and amortisation	(3 078)	(2 906)
revaluation write-offs	(593)	(236)
change in provisions	5 977	710
valuation of investment properties at fair value	(4 148)	(1 904)
valuation of construction contracts	48 264	(11 784)
accrued interest	(1 423)	(5 855)
accrued exchange differences	(226)	861
provision for losses on contracts	(345)	(933)
remuneration unpaid	(23)	(273)
non-tax costs relating to long-term contracts	(10 307)	8 665
other	(135)	1 502
- permanent differences, including:	**1 792**	**3 287**
received dividends	(1 000)	-
contributions to PFRON (National Disabled Persons Rehabilitation Fund)	731	797
donations made	28	4
budget interest	8	4
insurance and membership fees	276	285
VAT difference	119	7
other	1 630	2 190
Taxable income	**52 428**	**(62 093)**
Deductions from income	**(46 666)**	**-**
- tax loss from previous years	(46 666)	-
Income tax base	**5 762**	**-**
Income tax at 19% rate	**1 095**	**-**
Current income tax recognised (shown) in tax declaration for the period, including:	**1 095**	**-**
- recognised in income statement	1 095	-

Income tax shown in income statement regarding discontinued operations:

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Income tax shown in income statement regarding discontinued operations	-	-

Income tax in the profit and loss account:

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Current income tax:	**1 095**	**-**
- current income tax charge	1 095	-
Deferred tax:	**(10 641)**	**4 910**
- related to increase and decrease in temporary differences	(6 453)	(3 488)
- revaluation of deferred tax assets	(4 188)	8 398
Total	**(9 546)**	**4 910**

Calculating of effective interest rate:

Reconciliation of income tax on the gross financial result at the statutory tax rate with income tax calculated at the effective tax rate for the year ended 31 December 2013 and 31 December 2012 is presented in the following table:

Effective tax rate calculation	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Gross profit	**16 674**	**(53 226)**
Income tax at applicable income tax rate of 19%	3 168	(10 113)
Revaluation of deferred tax assets	(13 054)	8 398
Tax costs not constituting accounting costs	(536)	(578)
Tax revenues not constituting accounting revenues	(492)	(40)
Non-tax costs constituting accounting costs	1 368	7 243
Income tax at effective tax rate of -57% (2012: -9%)	**(9 546)**	**4 910**

19.2. Income tax recognized in other comprehensive income

	1.01.2013 - 31.12.2013	**1.01.2012 - 31.12.2012** Modified*
Profit from revaluation referred into revaluation reserve		
Gross amount	8 693	-
Tax	(1 652)	-
Net amount	**7 041**	**-**
Actuarial gains/(losses)		
Gross amount	(1 627)	(1 663)
Tax	309	316
Net amount	**(1 318)**	**(1 347)**

19.3. Deferred tax

Deferred tax asset

Title of temporary differences	1.01.2012 Modified	Increase / Decrease	31.12.2012 Modified	Increase / Decrease	31.12.2013
Provision for bonuses	67	133	200	115	315
Provision for the audit	41	2	43	(22)	21
Provision for correction works	530	165	695	146	841
Provision for losses on contracts	243	(177)	66	(66)	-
Provisions for retirement and pensions	672	(91)	581	53	634
Provision for jubilee awards	1 439	93	1 532	102	1 634
Provision for unused leaves	719	8	726	30	756
Provision for comissions	-	141	141	(141)	-
Valuation allowance for other current assets	226	3	229	(118)	112
Unrealized foreign exchange losses	81	1	81	(56)	26
Accrued interest on liabilities	1 253	(1 059)	194	(109)	85
Valuation of bonds	130	120	250	(210)	40
Interest on receivable write-offs	58	(48)	11	5	16
Non-tax costs related to ongoing long-term contracts	2 723	1 646	4 370	(1 958)	2 411
Surpus of invoiced revenues over actual revenues - valuation of long-term contracts	-	3 224	3 224	4 776	8 001
The positive difference between the balance sheet depreciation and the tax depreciation	155	6	161	54	215
Tax loss	7 191	(2 512)	4 679	4 188	8 867
Unpaid wages and unpaid social security contributions	249	(52)	197	(4)	193
Provision for costs	-	-	-	1 167	1 167
Others	186	145	331	427	756
Total deferred tax asset, including	**15 963**	**1 748**	**17 711**	**8 379**	**26 090**
influence on net profit	15 963	1 432	17 395	8 070	25 465
influence on equity	-	316	316	309	625

Deferred tax liability

Title of temporary differences	1.01.2012 Modified	Increase / Decrease	31.12.2012 Modified	Increase / Decrease	31.12.2013
Surpus of actual revenues over invoiced revenues - valuation of long-term contracts	5 235	5 289	10 524	(4 394)	6 130
The negative difference between the balance sheet depreciation and the tax depreciation	3 160	558	3 718	567	4 285
Unrealized foreign exchange profits	194	(163)	31	(13)	18
Interest accrued on deposits, on financial assets	72	40	112	162	274
The right to perpetual usufruct	1 182	-	1 182	(741)	441
Revaluation of fixed assets to fair value	2 752	(516)	2 236	(254)	1 982
Investment property fair value adjustment	1 055	362	1 417	3 060	4 477
Other	89	256	345	319	664
Total deferred tax liability, including	**13 739**	**5 827**	**19 565**	**(1 294)**	**18 271**
influence on net profit	9 804	6 343	16 147	(2 571)	13 576
influence on equity	3 935	(516)	3 418	1 276	4 695

20. Discontinued operations

In 2013 and 2012, no discontinued operations occurred.

21. Profit (loss) per one share

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Net profit (loss) from continued operations	26 220	(58 136)
Net profit for financial year	26 220	(58 136)
Net profit applied to calculate diluted earnings per share	26 220	(58 136)
Number of issued shares (pcs)	411 196 384	232 105 480
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	391 557 530	232 105 480
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	391 557 530	232 105 480

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Profit (loss) per 1 share (in PLN/share):		
- basic	0,07	(0,25)
- diluted	0,07	(0,25)

	Financial year ended	
	31.12.2013	**31.12.2012 Modified**
Profit (loss) from continued operations per 1 share (in PLN/share):		
- basic	0,07	(0,25)
- diluted	0,07	(0,25)

22. Tangible fixed assets

Structure of tangible assets:

	31.12.2013	**31.12.2012 Modified**	**1.01.2012 Modified**
Fixed assets, including:	97 666	102 270	94 550
- land (including right of perpetual usufruct)	16 808	18 788	6 827
- buildings, premises, civil and water engineering structures	5 868	7 255	7 669
- technical equipment and machines	30 337	30 195	32 660
- vehicles	42 293	43 211	44 751
- other fixed assets	2 360	2 821	2 642
Fixed assets under construction	4 976	1 505	1 266
Total	**102 643**	**103 775**	**95 815**

The tangible fixed assets are secured, which fact was described in detail in note No. 50 and 51.

Ownership structure of fixed assets:

	31.12.2013	**31.12.2012 Modified**	**1.01.2012 Modified**
Proprietary	85 397	90 279	86 357
Used on the basis of lease, rental or other agreement, including leasing agreement	17 246	13 496	9 458
Total	**102 643**	**103 775**	**95 815**

Tables of fixed assets movement:

Financial year ended 31.12.2013	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net book value at the beginning of the year	**26 043**	**30 195**	**43 211**	**2 821**	**1 505**	**103 775**
Increases - purchase	1	3 819	2 241	60	3 460	9 581
Other increases	-	42	2 178	-	127	2 347
Movements	43	72	-	-	(116)	-
Sale	(581)	(16)	(324)	-	-	(921)
Liquidation	-	(21)	-	(3)	-	(23)
Depreciation	(457)	(3 755)	(5 013)	(518)	-	(9 742)
Other decreases	(2 374)	-	-	-	-	(2 374)
Net book value at the end of the year	**22 676**	**30 337**	**42 293**	**2 360**	**4 976**	**102 643**
As at 31.12.2013						
(Gross) cost or value from valuation	28 635	75 937	86 174	8 617	4 976	204 340
Depreciation and imparment write-offs	(5 959)	(45 600)	(43 881)	(6 257)	-	(101 697)
Net book value	**22 676**	**30 337**	**42 293**	**2 360**	**4 976**	**102 643**

Financial year ended 31.12.2012	Land, buildings and structures	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net book value at the beginning of the year	**14 496**	**32 660**	**44 751**	**2 642**	**1 266**	**95 815**
Increases - purchase	11 972	2 391	4 861	810	363	**20 397**
Movements	124	-	-	-	(124)	**-**
Sale	-	(7)	(93)	-	-	**(99)**
Liquidation	-	(76)	(76)	(29)	-	**(180)**
Depreciation	(550)	(4 722)	(5 773)	(603)	-	**(11 648)**
Other decreases	-	(51)	(460)	-	-	**(511)**
Net book value at the end of the year	**26 043**	**30 195**	**43 211**	**2 821**	**1 505**	**103 775**
As at 31.12.2012						
Modified						
(Gross) cost or value from valuation	31 597	72 848	84 151	8 867	1 505	**198 968**
Depreciation and imparment write-offs	(5 554)	(42 653)	(40 940)	(6 046)	-	**(95 193)**
Net book value	**26 043**	**30 195**	**43 211**	**2 821**	**1 505**	**103 775**

Other increases in 2013 of PLN 2,178 thousand concerns the purchase of means of transport under the finance lease agreements.

Based on the perpetual usufruct of land right, the Company owns lands of value PLN 16,129 thousand. Information about securities of land in included in note No.51.

23. Investment property

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
As at start of period (by type groups) - net value:	**11 122**	**9 218**	**3 666**
- land	7 203	4 438	3 666
- buildings, premises, civil and water engineering structures	3 919	4 780	-
Increases:	**14 577**	**2 765**	**5 552**
- land	8 261	2 765	772
- revaluation	850	2 765	772
- movement from fixed assets	7 411	-	-
- buildings, premises, civil and water engineering structures	6 316	-	4 780
- revaluation	3 298	-	4 780
- movement from fixed assets	3 018	-	-
Decreases	**-**	**861**	**-**
- land	-	-	-
- buildings, premises, civil and water engineering structures	-	**861**	-
- revaluation	-	861	-
As at end of period (by type groups) - net value:	**25 699**	**11 122**	**9 218**
- land	15 464	7 203	4 438
- buildings, premises, civil and water engineering structures	10 235	3 919	4 780

The fair value of investment property as at 31 December 2013 and 31 December 2012 was estimated on the basis of a valuation carried out on these days by an independent valuer who is qualified to carry out the appropriate property valuations and has a recent experience in such valuations made in locations similar to the Company's properties locations. Valuation of the Company's investment property , i.e. the properties located at Skaryszewska and Golędzinowska street were carried out by reference to the market prices of similar properties (the comparative method). The comparative approach is to determine the value of the property on the assumption that the value of assessed property equal to the price that was achieved for the property that were traded in the market , adjusted due to the differing characteristics of these properties (ie, location , equipment / condition management , surface) and determined with regard to changes in the price level as a result of the passage of time . The sensitivity analysis shows that the valuation model is sensitive to changes in prices of similar real estate adopted for the valuation.

The table presents the impact of unobservable inputs on the fair value of the property according to accepted valuation techniques.

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

During the year 2013 there has been no change in the valuation technique.

Details of the fair value hierarchy as at 31 December 2013 and 31 December 2012 are presented below:

	31.12.2013	Level 1	Level 2	Level 3
Investment property	**25 699**	-	-	25 699

	31.12.2012 Modified	Level 1	Level 2	Level 3
Investment property	**11 122**	-	-	11 122

Hierarchy of fair value is as follows:

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

Level 2 – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (using techniques based on actual transactions);
Level 3 – prices not from active markets.

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

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

	31.12.2013	31.12.2012 Modified
As at the beginning of the period (Level 3)	**11 122**	**9 218**
Transfers from fixed assets	10 429	-
Gains/ (losses) recognized in profit and loss account	4 148	1 904
As at the end of the period (Level 3)	**25 699**	**11 122**

In 2013, the profit of PLN 4,148k was recognized in the Profit and loss account due to revaluation of investment properties to fair value.

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

	Financial year ended	
	31.12.2013	31.12.2012 Modified
Rental income from investment property	299	202
Direct operating expenses from investment property that during the period generated rental income	540	139
Direct operating expenses from investment property that during the period did not generate rental income	-	-

Information about securities on investment properties in included in notes No.51 and 52.

24. Intangible assets

Structure of intangible assets:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Research and development costs	3 960	591	673
Goodwill	53 512	53 512	53 512
Acquired concessions, patents, licences and similar items of value, inc	279	330	339
- software	279	330	339
Intangible assets under construction	1 334	3 862	2 587
Total	**59 085**	**58 296**	**57 110**

Tables of intangible assets movement:

Financial year ended 31.12.2013	**Research and develop-ment expenses**	**Goodwill**	**Software licences**	**Intangible assets under construction**	**Total**
Net book value at the beginning of the year	**591**	**53 512**	**330**	**3 862**	**58 296**
Increases	-	-	268	918	1 186
Movements	3 447	-	-	(3 447)	-
Amortisation	(77)	-	(319)	-	(396)
Net book value at the end of the year	**3 960**	**53 512**	**279**	**1 334**	**59 085**
As at 31.12.2013					
(Gross) cost or value from valuation	5 594	53 512	4 516	1 334	64 956
Depreciation and imparment write-offs	(1 634)	-	(4 237)	-	(5 871)
Net book value	**3 960**	**53 512**	**279**	**1 334**	**59 085**

Financial year ended 31.12.2012 Modified	Research and develop-ment expenses	Goodwill	Software licences	Intangible assets under construction	Total
Net book value at the beginning of the year	**673**	**53 512**	**339**	**2 587**	**57 111**
Increases	-	-	395	1 276	1 670
Amortisation	(82)	-	(403)	-	(485)
Net book value at the end of the year	**591**	**53 512**	**330**	**3 862**	**58 296**
As at 31.12.2012 Modified					
(Gross) cost or value from valuation	2 148	53 512	4 248	3 862	63 771
Depreciation and imparment write-offs	(1 557)	-	(3 918)	-	(5 475)
Net book value	**591**	**53 512**	**330**	**3 862**	**58 296**

Ownership structure of intangible assets:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Proprietary	59 085	58 296	57 110
Used on the basis of lease, rental or other agreement, including leasing agreement	-	-	-
Total	**59 085**	**58 296**	**57 110**

In 2013, the Company recognized in the profit and loss account the amount of PLN 77k concerning depreciation expenditures on R&D (in 2012: PLN 82k).

Method of determining goodwill and test for value loss

The Company presented at the balance sheet date in the financial statement, the goodwill of value PLN 53,512k (31.12.2012: PLN 53,512k), which was included in the following balance sheet item – intangible assets. Goodwill arose from the acquisition of and merger with PRK7 SA in 2009 and PRKiI SA in 2013 and the acquisition of shares of PRK 7 Nieruchomości.

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Goodwill from acquisition and merger with PRKiI S.A.	2 051	2 051	2 051
Goodwill from acquisition and merger with PRK7 S.A.	46 681	46 681	46 681
Goodwill from acquisition of shares of PRK 7 Nieruchomości	4 780	4 780	4 780
Total	**53 512**	**53 512**	**53 512**

Goodwill generated upon acquisition of PRK 7 S.A. (PLN 46 681 thousand) and PRKiI S.A. (PLN 2 051 thousand) were allocated to the civic building segment (cash generating unit). As at 13 December 2013 the goodwill were subject to an impairment test within the scope of a test for the cash generating centre – the civic building segment. On the basis of the outcome of the above mentioned test there was no impairment. Assumptions used to determine the recoverable amount of the cash generating unit are as follows:

- growth rate during the residual period at 2% (31.12.2012: 2%);
- EBITDA between 3.1 % and 3.4 % (31.12.2012: 0.6% -3.1%);
- discounting rate before taxation at 9.8 % (31.12.2012: 7.0%).

The calculation of the recoverable value of the cash generating unit is base on the projected cash flows for the period of five years. The Board has determined budgeting margin based on historical results, budgets, contracts and updated its expectations of market development. Average weighted average growth rates are consistent with the forecasts presented in industry reports. The discount rate used is pre-tax rate that reflects specific risks not included in the cash flow projections.

Presented below is an analysis of sensitivity of the recoverable value of cash flow generating centres to changes of individual indicators applied in the impairment test.

The sensitivity analysis for the civic building segment:

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA margin	+/- 5%	30 695	(30 695)
risk free rate	+/- 1%	(60 383)	81 846
Beta index	+/- 20%	(47 812)	60 341

The goodwill of PLN 4 780 thousand was assigned to the cash flow generating centre - other segment, which covers PRK 7 Nieruchomości. The goodwill impairment test was conducted as at 31 December 2013. Recoverable value of the cash flow generating centre was determined based on its use value, determined pursuant to the method of discounted cash flows before taxation. For the purpose of determining the use value, the following parameters were adopted: discounting rate of 9.8% (31/12/2012: 7.0%) and growth rate during the residual period equal to long-term inflation at the level of 2% (31/12/2012: 2%). The use value was determined based on the 5-year forecast of PRK7 Nieruchomości based on adopted schedules of investment execution and sale of apartments. Average level of EBITDA during the 5-year projection was 12% (31/12/2012: 10%). No goodwill impairment was determined based on test results.

The sensitivity analysis for the remaining segment, which includes the company PRK7 Nieruchomości:

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA margin	+/- 5%	1 155	(1 155)
risk free rate	+/- 1%	(21 293)	28 942
Beta index	+/- 20%	(16 866)	21 331

25. Investments in the subsidiaries

As at 31.12.2013

Company name	Location	Business object	Character of relation/consolida-tion method	Date of taking control	Value of shares/stocks at acquisition price	Revaluation adjustments	Carrying value of shares/ stocks	Percentage of the company share capital held	Share in total no. of votes at GM
PRK 7 Nieruchomości Sp. z o.o.	Warsaw	real estate development activities	subsidiary / full method	01.09.2007	24 721	-	17 715	100,00%	100,00%
Torprojekt Sp. z o.o.	Warsaw	designing activities	subsidiary / full method	04.11.2010	1 400	-	1 400	82,35%	82,35%
AB Kauno Tiltai	Kaunas	construction and installation activities	subsidiary / full method	19.04.2011	364 109	-	364 109	96,84%**	96,84%**
Bahn Technik Wrocław Sp. z o. o.	Wrocław	construction and installation activities	co-controlled entity-proportional method	19.12.1996	2 008	-	2 008	50,00%	50,00%
PEUiM Sp. z o. o.	Białystok	construction and installation activities	subsidiary / full method	5.06.2012	65	-	65	0,20%	0,20%
Total					**392 303**	-	**385 297**		

As at 31.12.2012 (Modified)

Company name	Location	Business object	Character of relation/consolida-tion method	Date of taking control	Value of shares/stocks at acquisition price	Revaluation adjustments	Carrying value of shares/ stocks	Percentage of the company share capital held	Share in total no. of votes at GM
PRK 7 Nieruchomości Sp. z o.o.	Warsaw	real estate development activities	subsidiary / full method	01.09.2007	24 721	-	19 052	100,00%	100,00%
Torprojekt Sp. z o.o.	Warsaw	designing activities	subsidiary / full method	04.11.2010	1 400	-	1 400	82,35%	82,35%
AB Kauno Tiltai	Kaunas	construction and installation activities	subsidiary / full method	19.04.2011	364 109	-	364 109	96,84%**	96,84%**
Bahn Technik Wrocław Sp. z o. o.	Wrocław	construction and installation activities	co-controlled entity-proportional method	19.12.1996	2 008	-	2 008	50,00%	50,00%
PEUiM Sp. z o. o.	Białystok	construction and installation activities	subsidiary / full method	5.06.2012	65	-	65	0,20%	0,20%
Total					**392 303**	-	**386 634**		

*) The Company Trakcja PRKiI SA holds directly 0.2% and indirectly 97.4% stake in PEUiM Sp. z o.o. hence the company PEUiM Sp. z o.o. is a treated as subsidiary and fully consolidated.
**) Trakcja PRKiI SA 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 sharholding is a result of the acquisition of own shares by subsidiary

26. Financial assets

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Financial assets at fair value through profit or loss	**-**	**29**	**30**
Participation units in investment fund	-	29	30
Financial assets held to maturity	**32 750**	**26 744**	**5 237**
Bank guarantees deposits	13 496	6 472	1 072
Loans granted and receivables	19 254	20 272	4 165
Financial assets available for sale	**-**	**-**	**-**
Total	**32 750**	**26 773**	**5 267**
including:			
- recognised as non-current assets	8 259	19 754	69
- recognised as current assets	24 491	7 019	5 198

27. Prepayments and accruals

Structure of prepayments and accruals:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Prepayments, including:	4 516	6 127	7 417
- insurance and insurance guarantees	3 205	4 588	6 425
- PKP (Polish Railways) identification documents	96	138	213
- repair and maintenance of wagons, locomotives	1 215	1 401	779
Other prepayments and accruals	206	215	212
Total	**4 722**	**6 342**	**7 629**

Ageing structure of prepayments and accruals:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Long-term	881	2 241	2 520
Short-term	3 841	4 101	5 109
Total	**4 722**	**6 342**	**7 629**

28. Inventory

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Materials	37 818	34 452	28 957
Semi-finished goods and products in progress	1 227	1 269	3 833
Finished goods	160	187	253
Merchandise	10	10	10
Inventory for resale	3 590	3 747	3 908
Total, gross inventory	**42 805**	**39 665**	**36 961**
Inventory revaluation write-offs	**(614)**	**(1 233)**	**(1 219)**
Materials	37 231	33 246	27 764
Semi-finished goods and products in progress	1 227	1 269	3 833
Finished goods	133	160	226
Merchandise	10	10	10
Inventory for resale	3 590	3 747	3 908
Total, net inventory	**42 191**	**38 432**	**35 742**

Change in inventory write-downs:

	Financial year ended	
	31.12.2013	31.12.2012 Modified
At the beginning of the period	**1 233**	**1 219**
Increases	**78**	**318**
Created	78	318
Decreases	**698**	**304**
Used	95	166
Dissolve	603	138
At the end of the period	**614**	**1 233**

29. Trade receivables and other receivables

Structure of trade receivables and other receivables:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Gross trade receivables, before discounting	419 484	116 585	298 131
Discounting of receivables	-	-	-
Total, gross trade receivables	**419 484**	**116 585**	**298 131**
including:			
- receivables from related entities	4 534	9 556	15 594
Receivables claimed in court	1 327	464	433
Other receivables from third parties	5 409	11 940	7 809
Amounts held	1 979	2 736	3 825
Total, gross trade and other receivables	**428 198**	**131 725**	**310 198**
Receivables revaluation write-offs	(7 301)	(5 307)	(1 635)
Total	**420 897**	**126 418**	**308 563**

Receivables from the related companies are shown in note No.53.

Trade receivables and amounts held:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Net trade receivables	416 019	115 003	301 198
With maturity within 12 months	413 753	113 870	300 041
With maturity over 12 months	2 267	1 133	1 157
Discounting of receivables	-	-	-
Total, net trade receivables after discounting	**416 019**	**115 003**	**301 198**

Trade receivables are not interest bearing and their maturity is usually 30 days.

The Company has implemented special policy within the scope of making the sales only to verified customers. In the management opinion, thanks to this, there is no additional credit risk over the level specified by the write down concerning bad debt, proper for the trade receivables of the Company. At the balance sheet date 71% of the total receivables of the Trakcja PRKiI are the receivables of PKP PLK S.A. (31.12.2012: 35%)

Due to the short term nature of trade receivables, their carrying value approximates their fair value.

Company entered into a recourse factoring on 10 May 2013. Funding limit provided in the contract is PLN 70,000k. As of December 31, 2013, the Company used factoring to the amount of PLN 34,718k.

At the balance sheet date, current value of receivables with maturity over 12 months is established by updating the discount amount in relation to time expiry.The company gave up in 2013 and 2012 with the presentation of the discount on debt due to the low significance.

The due receivables with their maturity over 12 months include withheld amounts which make additional collaterals for proper performance of the contract. The structure of maturity of retained amounts in total was included in the table below:

Maturity	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Up to 12 months	-	1 602	2 675
Over 12 months	1 979	1 134	1 151
Total	**1 979**	**2 736**	**3 826**

Change of the write downs concerning the receivables amount:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
As at start of period	**5 307**	**1 636**	**1 290**
Increases	**2 580**	**4 235**	**607**
Establishment	2 580	4 235	607
Decreases	**(586)**	**(564)**	**(262)**
Use	(215)	(157)	(134)
Dissolution	(371)	(407)	(128)
As at end of period	**7 301**	**5 307**	**1 635**

Structure of overdue trade receivables:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Up to 1 month	72 550	8 642	13 054
From 1 month to 3 months	343	2 345	681
From 3 months to 6 months	305	10 690	1 925
From 6 months to 1 year	30	1 115	24
More than 1 year	10 490	1 744	15 419
Total, gross overdue trade receivables	**83 718**	**24 536**	**31 103**
Receivables revaluation write-offs	(5 443)	(4 317)	(760)
Total, net overdue trade receivables	**78 275**	**20 219**	**30 343**

Currency structure of trade receivables and other receivables:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
In PLN	426 378	126 201	298 748
In foreign currencies - after conversion into PLN, including:	1 820	5 524	11 450
in EUR	1 820	4 386	11 450
Total	**428 198**	**131 725**	**310 198**

Trade receivables according to maturities:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Up to 1 month	156 068	56 350	159 595
From 1 month to 3 months	179 360	36 753	108 266
From 3 months to 6 months	13	424	1 471
From 6 months to 1 year	36	125	366
More than 1 year	2 267	1 133	1 157
Overdue receivables	83 718	24 536	31 103
Total, gross trade receivables	**421 462**	**119 321**	**301 958**
Revaluation write-offs on trade receivables	(5 443)	(4 317)	(760)
Total, net trade receivables	**416 019**	**115 004**	**301 198**

Receivables asserted in court:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Receivables claimed in court	1 327	464	433
Revaluation write-offs on receivables claimed in court	(1 327)	(464)	(433)
Total	**-**	**-**	**-**

30. Cash and equivalent

Cash in bank is interest bearing according to variable interest rates which amount depends on the interest rate of one day bank investments.

Short term investments are made for different periods, from one day to one month, depending on the current demand of the Company for cash and bear interest according to negotiated interest rates.

On 31 December 2013 Trakcja PRKiI S.A. had at its disposal unused awarded short term credit means in amount 19 million PLN (31.12.2012: 58 million PLN)

Currency structure of cash and equivalents:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
In PLN	32 762	48 684	65 311
In foreign currencies - after conversion into PLN, including:	982	79	42 786
in EUR	979	79	42 786
Razem	**33 744**	**48 763**	**108 097**

Balance of cash and equivalents shown in the cash flow statements is presented in note No. 47.

31. Construction contracts

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Revenues recognised in income statement in the period	942 607	758 233	937 045
Costs recognised in income statement in the period	904 723	764 438	902 781
Gross profit / (loss)	**37 884**	**(6 205)**	**34 264**

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Surplus of invoiced revenues over revenues resulting from degree of advancement	25 138	5 597	3 750
Surplus of revenues resulting from degree of advancement over invoiced revenues	15 293	44 016	31 305
Advances paid towards contracts being performed	24	2 752	20 613
Advances received towards contracts being performed	-	9 496	48 635
Provision for anticipated losses on contracts	-	345	1 278
Recognised in balance sheet:			
in current assets			
Construction contracts	**15 317**	**46 768**	**51 918**
in short-term liabilities			
Construction contracts	**25 138**	**15 438**	**53 663**

Principles of calculating the set incomes on sale:

Income on performing a construction and installation service covered by uncompleted contract is actually borne costs increased by the assumed margin in the given contract calculated in %.

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

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

where:

Su – established sale

K – sustained actual costs
m – margin in % assumed for the given contract, resulting from the developed costs budget

Incomes established for the contracts settled in Euro are calculated according to the following principles:
Margin in % in case of contracts in Euro is calculated every month and it is a function of PLN / EUR exchange rate calculated based on the following formula:

M = (Pp – Kp)/Pp

where:

Pp – conversion incomes
Kp – conversion costs

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

Pp = Pz + Pf * krPLN/EUR

where:

Pz – incomes booked in Polish Zloty
Pf – incomes to be invoiced in Euro in the future
krPLN/EUR – average Euro exchange rate at the end the given month (announced by the National Bank of Poland)

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

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

where:

Kz – costs booked in Polish Zloty
Kf PLN – costs to be invoiced in Polish Zloty in the future
Kf EUR– costs to be invoiced in Euro in the future

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

32. Capital management

The goal of the Company in managing the capital risk is maintaining the Company ability to continue the business and maintain optimum capital structure to provide return on investment to the shareholders. To maintain or correct the capital structure, the Company may emit new shares, change the amount of dividends paid to the shareholder, increase debt or reduce debt by selling the assets. The Company monitors the capital structure using the financing structure indexes. Indexes analyzed by the Company, presented in the below table, allow maintaining both good credit rating and confirm the capital structure support for the operational business of the Company.

FINANCING STRUCTURE RATIOS	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Equity to assets ratio	0,5	0,5	0,4
Equity to non-current assets ratio	0,9	0,7	0,8
Debt ratio	0,5	0,5	0,6
Debt to equity ratio	1,1	1,1	1,3

The above ratios have been calculated in accordance with the following formulas:

Equity to assets ratio = equity / total assets

Equity to non-current assets ratio = equity / non-current assets

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

Debt to equity ratio = (total assets - equity) / equity

33. Issue of shares and changes in equity

Share capital:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
	Par value 0.1 PLN	Par value 0.1 PLN	Par value 0.1 PLN
Series A ordinary shares	1 599 480	1 599 480	1 599 480
Series C ordinary shares	83 180 870	83 180 870	83 180 870
Series D ordinary shares	19 516 280	19 516 280	19 516 280
Series E ordinary shares	25 808 850	25 808 850	25 808 850
Series F ordinary shares	30 000 000	30 000 000	30 000 000
Series G ordinary shares	72 000 000	72 000 000	72 000 000
Series H ordinary shares	179 090 904	-	-
Total	**411 196 384**	**232 105 480**	**232 105 480**

As on 31 December 2013 a total surplus on sale of shares above their nominal value amounted to PLN 310,102k.

Conditional capital increase:

Pursuant to resolution no. 5 of the Extraordinary General Meeting of shareholders of 12 December 2012, the share capital of Trakcja PRKiI S.A. was contingently increased by an amount not exceeding PLN 18,545,436. The increase in the share capital will be achieved by issuing not more than 185,454,360 ordinary bearer shares of series H of the nominal value of PLN 0.10 each. Increasing the share capital through issuing series H shares will take place at the moment when the holders of bonds have exercised their right to take up series H shares (holders of registered bonds will be entitled to exchange them for ordinary bearer shares of series H). The right to take up series H shares will be exercised within the timeframe for the exchange, until 31 March 2013. On 21 December 2012, the District Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register (KRS) registered the contingent increase of the share capital. Detailed information were included in current report no. 71/2012 of 13 December 2012.

Due to the conversion of all the bonds, KDPW decided to close the deposit accounts kept for series D bonds marked with code PLTRKPL00071, on 19 March 2012. As a result of the exchange of bonds for shares, the share capital of the Company now amounts to PLN 41,119,638.40 and is divided into 411,196,384 shares which entitle their holders to exercise the same number of votes at a general meeting of the Company.

According to the Company's Management Board knowledge, status of shareholders possessing directly or by the agency of subsidiaries at least 5% of the general votes at the General Assembly of Shareholder at the day of approving the Statement is as follows:

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

Other reserve capital:

Among other capital reserve the following elements can be identified:

- Results from previous years - capital created from profits generated in the previous financial years. The Company is required to create a capital reserve, which is fed by at least 8% of the profit for the financial year until the capital reaches at least one third of the share capital. Just set up reserve funds are not shared.
- Hedging instruments - effective portion of changes in fair value of derivatives designated as cash flow hedges is recognized in other comprehensive income and accumulated under the capital reserve for cash flow hedges. This capital is not subject for any division.

- Gains (losses) - Company recognizes actuarial gains and losses due to provisions for employee benefits in other comprehensive income and accumulate them as reserve capital. This capital is not subject for any division.

Revaluation capital:

The revaluation capital includes the perpetual usufruct right obtained by the Company free of charge posted based on the administrative decision representing the grounds for establishing the annual charge, considering the deferred tax effect. The revaluation reserve also includes the effects of changing the use of fixed assets as at January 1, 2013.

Retained financial result:

The undivided financial result of the Company covers the current result for a given financial year. The dividend may be paid based on the financial result set in the annual unitary financial statements of the dominant entity prepared for the statutory purposes.

34. Provisions

	Provision for legal cases	Provisions for correction works	Provisions for bonuses	Provisions for balance sheet audit	Cost provisions	Other provisions	Total
As at 1.01.2013 Modified	**567**	**3 658**	**1 050**	**226**	**-**	**805**	**6 306**
Recognised in income statement:							**-**
- provision creation	-	1 645	1 656	265	6 110	120	**9 796**
- release of unused provisions	(193)	(128)	-	(30)	-	-	**(350)**
- use of provisions	-	(746)	(1 050)	(352)	-	(743)	**(2 892)**
Total	**(193)**	**771**	**606**	**(117)**	**6 110**	**(623)**	**6 554**
As at 31.12.2013	**373**	**4 429**	**1 656**	**109**	**6 110**	**182**	**12 860**

Modified	Provision for legal cases	Provisions for correction works	Provisions for bonuses	Provisions for balance sheet audit	Cost provisions	Other provisions	Total
As at 1.01.2012 Modified	**567**	**2 790**	**350**	**218**	**-**	**66**	**3 991**
Recognised in income statement:							
- provision creation	-	2 498	1 050	469	-	909	**4 927**
- release of unused provisions	-	(250)	-	-	-	-	**(250)**
- use of provisions	-	(1 381)	(350)	(461)	-	(170)	**(2 362)**
Total	**-**	**867**	**700**	**8**	**-**	**739**	**2 314**
As at 31.12.2012 Modified	**567**	**3 658**	**1 050**	**226**	**-**	**805**	**6 305**

Ageing structure of provisions:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Long-term	1 223	1 052	759
Short-term	11 637	5 253	3 232
Total	**12 860**	**6 305**	**3 991**

35. Interest bearing bank credits and loans

Long term interest bearing bank credits and loans:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Bank loans	8 950	13 859	15 987
- investment loans	8 950	13 859	15 987
Financial lease liabilities	10 310	8 205	5 936
Total	**19 260**	**22 064**	**21 923**

Short term interest bearing bank credits and loans:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Bank loans	103 006	21 909	74 816
- investment loans	4 909	4 909	14 426
- revolving loans	88 200	17 000	60 390
- overdraft	9 897	-	-
Financial lease liabilities	3 677	3 218	2 964
Total	**106 683**	**25 127**	**77 780**
Total short and long term loan and credits	**125 943**	**47 191**	**99 703**

Credits incurred by the Company as at 31 December 2013 are presented in the below table:

Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
Alior Bank S.A.	working capital	60 000	PLN	31-03-2014	WIBOR O/N + margin	60 000
Alior Bank S.A.	purpose loan for the contract	15 000	PLN	31-03-2014	WIBOR 1M + margin	15 000
Alior Bank S.A.	working capital	20 000	PLN	31-03-2014	WIBOR O/N + margin	13 200
Bank Zachodni WBK S.A.	investment	18 000	PLN	31-03-2017	WIBOR 1M + margin	11 568
Bank Zachodni WBK S.A.	investment	7 200	PLN	30-09-2015	WIBOR 1M + margin	2 291
mBank S.A.	overdraft	10 000	PLN	29-01-2015	WIBOR O/N + margin	5 802
mBank S.A.	working capital	12 000	PLN	31-07-2014	WIBOR 1M + margin	4 095
Total		**142 200**				**111 956**

Currency structure of credits and loans of the Company:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
In PLN	125 345	45 786	79 294
In foreign currencies - after conversion into PLN, including:	598	1 405	20 409
in EUR	598	1 405	20 409
Total	**125 943**	**47 191**	**99 703**

Interest rate of received credits depends on WIBOR and bank margins.

As at 31 December 2013, the Company does not meet the condition of credit included in the credit agreement. This event will not have a negative impact on the financial position and performance of the Company.

36. Bonds

As at 31 December 2013 the Company had the following liability by virtue of bonds C and E series:

Bond series	Issue date	Maturity date	Nominal value of 1 bond (in PLN)	Series nominal value (in ths. PLN)
C	31.01.2013	31.12.2015	1 000	29 529 000
E	31.01.2013	31.12.2015	1 000	20 921 000

On November 16, 2012, the Management Board of Trakcja PRKiI informed that it decided to undertake activities to change the structure, prolong the maturity date, and decrease the Company's debt, aiming at adjustment of the debt's maturity to the currently performed construction contracts, strengthen the Company's capital structure and ensure availability of bank financing at an appropriate level.

On January 31, 2013, the Company issued: 29 529 secured C series secured bonds with the total nominal value of PLN 29,529 thousand, 197 D series convertible bonds with the total nominal value of PLN 98,500 thousand, and 20,921 unsecured E series bonds with the total nominal value of PLN 20,921 thousand. Holders of D series bonds were granted the right to convert bonds to ordinary H series shares with the nominal value of PLN 0.10 each, issued by the Company within the scope of a conditional increase of the share capital pursuant to the resolution no. 5 of the Extraordinary Shareholders Meeting of December 12, 2012.

On January 31, 2013, the Company purchased, for redemption purposes: 142 778 unsecured A series bonds with the nominal value of 1,000 each and the total nominal value of PLN 142,778 thousand, and 13 000 unsecured B series bonds with the nominal value of PLN 1,000 each and the total nominal value of PLN 13,000 thousand, issued by the Company on April 19, 2011 (on February 8, 2013, the management board of the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) undertook a resolution in connection with the redemption of A and B series bonds by the Company). The payment for purchased A series bonds and B series bonds took place through cash payment and offsetting claims due to some bondholders in regard to the Company, and due to the Company in regard to these bondholders.

After the conversion of all bonds series D shares, the share capital of the Company amounts to PLN 41,119,638,40 and divided it to 411 196 384 shares, giving the right to the same number of votes at the general meeting of the Company.

As a result of the conversion of bonds issued by the Company and the Series D share capital increase of the Company's shareholder structure changed, which was reported through current reports. Shareholders holding directly or through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders at the date of the report was presented in Note 33.

On March 1, 2013, the Company purchased for cancellation 5,346 unsecured bonds of series A with a nominal value of PLN 1,000 each and the total nominal value of PLN 5,346k.

The remaining 240 bonds with a nominal value of PLN 240k were redeemed at maturity -12 December 2013.

Bond ageing structure

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Long-term	49 926	12 913	160 040
Short-term	-	147 761	5 695
Total	**49 926**	**160 674**	**165 735**

Interests are payable on the interest payment date falling on 30 June and 31 December each year from the issue date to the maturity date of bonds series C and E and in the maturity date of the bonds series C and E.

Bond liabilities as at 31 December 2013 amounted to PLN 49,926k.

37. Other financial liabilities

The item "Other financial liabilities" includes a factoring liability in the amount of PLN 34,718k. The Company entered into a factoring agreement with recourse on 10 May 2013. Funding limit provided for in the contract is PLN 70,000k. Factoring interest is calculated on the basis of variable WIBOR O / N, plus a fixed margin factor.

38. Derivative financial instruments

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Derivaties			
Fair value hedging (assets)	-	-	-
Fair value hedging (liabilities)	144	-	-
including:			
- recognized among non-current assets	-	-	-
- recognized among current assets	-	-	-
- recognized among long-term liabilities	144	-	-
- recognized among short-term liabilities	-	-	-

During the reporting period, the Company concluded interest rate swaps (IRS). The Company did not conclude any derivative contracts for speculation purposes. The Company did not apply hedge accounting during reporting periods covered by the report in regard to aforementioned IRS contracts, therefore they were valuated at fair value through the financial result. In 2013, the assessment of the financial instruments posted in the profit and loss account was PLN 144 thousand and in 2012 this influence was at PLN 285 thousand.

The fair value of the aforementioned IRS contracts is calculated as the current value of estimated future cash flow based on observation of income curves. The IRS contract included in the balance sheet as at 31 December 2013 was classified as level 2 in the fair value hierarchy. No transfers took place between levels 1, 2 and 3 during the financial year.

	31.12.2013	Level 1	Level 2	Level 3
Derivatives	**144**	-	144	-

	31.12.2012 Modified	Level 1	Level 2	Level 3
Derivatives	**-**	-	-	-

Level 1 – prices of market quotations from active markets for identical assets and liabilities;
Level 2 – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (using techniques based on actual transactions);
Level 3 – prices not from active markets.

There was no transfers between fair value levels during financial year.

39. Liabilities by virtue of employee benefits

Liabilities in respect of provisions for retirement benefits and jubilee awards:

	Provision for retirement and disability benefits	Provision for jubilee awards
As at 1.01.2013 Modified	**2 996**	**8 064**
Total costs recognised in profit and loss account:		
- Interest costs	150	403
- Current service costs	635	1 177
- Past service costs	(352)	(643)
Actuarial losses recognised in other comprehensive income	170	1 457
Benefits paid	(320)	(1 860)
As at 31.12.2013	**3 278**	**10 458**

	Provision for retirement and disability benefits	Provision for jubilee awards
As at 1.01.2012 Modified	**3 470**	**7 572**
Total costs recognised in profit and loss account:		
- Interest costs	208	454
- Current service costs	76	1 171
- Past service costs	(551)	(680)
Actuarial losses recognised in other comprehensive income	460	1 203
Benefits paid	(668)	(1 657)
As at 31.12.2012 Modified	**2 996**	**8 064**

Liabilities due to provisions for unused leave and other employee benefits:

	Provision for unused leaves
As at 1.01.2013 Modified	**3 823**
Recognised in income	
- provision creation	844
- release of unused provision	(612)
- use of provision	(72)
Total	**161**
As at 31.12.2013	**3 983**

	Provision for unused leaves
As at 1.01.2012 Modified	**3 782**
Recognised in income	
- provision creation	588
- release of unused provision	(351)
- use of provision	(194)
Total	**41**
As at 31.12.2012 Modified	**3 823**

Ageing structure of liabilities by virtue of employee benefits:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Long-term	9 227	8 854	8 849
Short-term	6 633	6 028	5 974
Total	**15 860**	**14 883**	**14 823**

Principles of creating reserves for employees benefits:

The Company pays the retiring employees amounts of severance payments in the amount specified by the Remuneration Regulations. In relation to this, the Company based on the assessment performed on the grounds of actuarial method, creates a reserve for current amount of liabilities by virtue of severance payments and jubilee prizes.

To assess the reserve amounts for employees benefits at the end of 2012, the average discount rate in the Company was equal to 3.75% (31.12.2012: 5%). Average expected growth of remuneration in the Company was assumed at the level of 1.7% (31.12.2012: 1%).

The following is a table of the sensitivity analysis of liabilities for employee benefits:

Factor applied	Reasonably possible change of the factor	Employee benefits	
		increase	decrease
Discount rate	+/- 1%	854	(738)
Salary growth	+/- 1%	(759)	863

The present value of liabilities for employee benefits equal to their carrying value.

40. Trade liabilities other liabilities

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Trade liabilities, before discounting	276 877	173 125	236 544
Discounting of liabilities	-	-	-
Total, net trade liabilities after discounting	**276 877**	**173 125**	**236 544**
including:			
- liabilities from related entities	2 520	2 338	3 092
Amounts held	6 563	6 148	2 898
Budgetary liabilities	43 917	13 659	18 604
Payroll liabilities	1 946	1 737	2 120
Other liabilities towards third parties	513	1 833	406
Total trade and other liabilities	**329 815**	**196 502**	**260 572**

Liabilities from the related companies are shown in note No. 53.

Trade liabilities:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Trade liabilities before discounting	283 440	179 274	239 442
With maturity within 12 months	281 631	176 282	236 049
With maturity over 12 months	1 809	2 992	3 393
Total, Trade liabilities after discounting	**283 440**	**179 274**	**239 442**

In 2013 and 2012, the Company abandoned the presentation of liabilities discount due to its minor importance. Due to the short-term nature of the liabilities trade payables carrying value approximates their fair value.

Currency structure of trade liabilities and other liabilities:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
In PLN	327 690	192 895	259 155
In foreign currencies - after conversion into PLN, including:	2 125	3 607	1 417
in EUR	1 811	3 607	1 415
Total	**329 815**	**196 502**	**260 572**

Principles and conditions of liabilities payment:

Liabilities by virtue of supplies and services are not interest bearing and usually are settled from 30 to 60 days. Liabilities more than 12 months are withheld amounts related to execution of the construction and installation contracts in order to correctly and on time execute the contract. The remaining liabilities are not interest bearing with average one month maturity. The amount resulting from the difference between the liabilities and receivables by virtue of goods and services tax is paid to proper tax bodies within the periods resulting from tax regulations. Liabilities by virtue of interests are usually settled based on accepted interest notes.

41. Liabilities by virtue of operating lease – Company as a lessee

Minimum fees by virtue of the operating lease agreements:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Within 1 year	393	573	414
Within 1 to 5 years	77	442	1 146
Total	**469**	**1 015**	**1 560**

42. Liabilities by virtue of financial lease agreements and lease agreements with purchase option

The Company uses many machines and devices based on the financial lease agreements and lease agreements with purchase option. The lease agreements provide extension but do not include purchase option not clauses concerning prices indexation. Extension option is vested in the lessee.
The future minimum lease fee by virtue of these agreements and the minimum current value of lease fees net is as follows:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Nominal value of minimum leasing fees			
Within 1 year	4 446	3 947	3 431
Within 1 to 5 years	11 622	9 394	6 454
Total financial lease liabilities - total minimum leasing fees	**16 068**	**13 341**	**9 885**
Financial costs on account of financial lease	**2 081**	**1 918**	**985**
Present value of minimum leasing fees			
Within 1 year	3 677	3 218	2 964
Within 1 to 5 years	10 310	8 205	5 936
Total present value of minumum leasing fees	**13 987**	**11 423**	**8 900**

43. Information about the financial instruments

Within the period covered by the annual financial statement, the Company possesses the following financial instruments:

- financial assets and liabilities assessed at fair value by the financial result - forward currency contracts, and participating units in the investment fund;
- financial assets kept until maturity - bank guarantees representing security of a guarantee granted to the Company by banks;
- granted loans – short term loans granted to entities from outside the Capital Group;
- financial liabilities assessed according to the amortized cost – bank credit and liabilities by virtue of lease.

Except that, the Company possess cash and short term investments. The Company possess also other financial instruments, such as receivables and liabilities by virtue of supplies and services, which are created directly within the course of the run business.

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Loans and receivables	Financial assets held to maturity	Financial liabilities measured at amortised cost
As at 1.01.2013	**29**	**-**	**195 453**	**6 473**	**390 709**
Modified					
Increases	**-**	**144**	**297 594**	**16 552**	**514 567**
Acquisition, establishment	-	144	297 594	16 552	514 552
Valuation	-		-	-	15
Decreases	**29**	**-**	**19 150**	**9 530**	**408 790**
Sale, dissolution, repayment	29	-	19 150	9 530	408 790
As at 31.12.2013	**-**	**144**	**473 896**	**13 495**	**496 486**
including:					
Disclosed in balance sheet, indicating balance sheet item					
recognised as non-current assets					
Other financial assets	-	-	-	8 258	-
Total	**-**	**-**	**-**	**8 258**	**-**
recognised as current assets					
Trade and other receivables	-	-	420 897	-	-
Other financial assets	-	-	19 254	5 237	-
Cash and cash equivalents	-	-	33 744	-	-
Total	**-**	**-**	**473 896**	**5 237**	**-**
recognised as long-term liabilities					
Interest-bearing bank loans and borrowings	-	-	-	-	19 260
Derivatives	-	144	-	-	-
Bonds	-	-	-	-	49 926
Total	**-**	**144**	**-**	**-**	**69 186**
recognised as short-term liabilities					
Interest-bearing bank loans and borrowings	-	-	-	-	106 683
Trade and other liabilities		-	-	-	285 899
Other financial liabilities	-	-	-	-	34 718
Total	**-**	**-**	**-**	**-**	**427 299**
Total	**-**	**144**	**473 896**	**13 495**	**496 486**

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Loans and receivables	Financial assets held to maturity	Financial liabilities measured at amortised cost
As at 1.01.2012 Modified	**30**	**-**	**420 825**	**1 073**	**507 287**
Increases	**-**	**-**	**17 590**	**5 628**	**91 969**
Acquisition, establishment	-	-	16 866	5 628	81 181
Valuation	-	-	724	-	10 788
Decreases	**1**	**-**	**242 963**	**227**	**208 547**
Sale, dissolution, repayment	-	-	242 963	201	208 547
Re-classification	-	-	-	26	-
As at 31.12.2012 Modified	**28**	**-**	**195 453**	**6 473**	**390 709**
including:					
Disclosed in balance sheet, indicating balance sheet item					
recognised as non-current assets					
Other financial assets	-	-	18 971	783	-
Total	**-**	**-**	**18 971**	**783**	**-**
recognised as current assets					
Trade and other receivables	-	-	126 418	-	-
Other financial assets	29	-	1 301	5 690	-
Cash and cash equivalents	-	-	48 763	-	-
Total	**29**	**-**	**176 482**	**5 690**	**-**
recognised as long-term liabilities					
Interest-bearing bank loans and borrowings	-	-	-	-	22 064
Bonds	-	-	-	-	12 913
Total	**-**	**-**	**-**	**-**	**34 977**
recognised as short-term liabilities					
Interest-bearing bank loans and borrowings	-	-	-	-	25 128
Trade and other liabilities	-	-	-	-	182 843
Bonds	-	-	-	-	147 761
Total	**-**	**-**	**-**	**-**	**355 732**
Total	**29**	**-**	**195 453**	**6 473**	**390 709**

44. Fair value of the financial instruments

Hierarchy of fair value of the financial instruments classes:

	As at 31.12.2013		As at 31.12.2012	
Classes of financial instruments	**Book value**	**Fair value**	**Book value**	**Fair value**
Participation units in investment fund	-	-	29	29
Loans granted	19 254	19 254	20 272	20 272
Bank guarantee deposits	13 495	13 495	6 473	6 473
Trade and other receivables	420 897	420 897	126 418	126 418
Cash and cash equivalents	33 744	33 744	48 763	48 763
Derivatives (liability)	144	144	-	-
Loan and credits	125 943	125 943	47 191	47 191
Bonds	49 926	50 450	160 674	161 365
Factoring liability	34 718	34 718	-	-
Trade and other liabilities	285 899	285 899	182 843	182 843

Methods for the use of valuation techniques - assumptions applied in determining fair values of each class of financial instruments .
Due to the short term nature of trade receivables and other receivables, trade payables and other liabilities and cash and cash equivalents, the carrying value of these financial instruments approximates their fair value.

Granted loans and borrowings are based on variable market rates based on WIBOR, hence their fair value approximates carrying value.

The fair value of the bonds was determined based on the price quoted on the Catalyst bond market at the balance sheet date (or close date).

The fair value of IRS (presented in the category of derivative financial instruments in the amount of PLN 144k) is calculated as the present value of estimated future cash flows based on the observation of yield curves.

The fair value of investment fund units was determined based on the valuation made by those funds.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments measured at fair value, depending on the chosen method of valuation:

Level 1 – prices of market quotations from active markets for identical assets and liabilities;
Level 2 – prices from active market, but other than market prices quotations – established directly (by comparing with actual transactions) or indirectly (using techniques based on actual transactions);
Level 3 – prices not from active markets.

Financial instrument measured in fair value	**Level 1**		**Level 2**		**Level 3**	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Participation units in investment fund	-	29	-	-	-	-
Derivatives (liability)	-	-	144	-	-	-

Within the year that ended on 31 December 2012, no shifts between level 1 and 2 of the hierarchy of fair value took place nor any of the instruments was shifted from the level 2 to 3 of the fair value hierarchy.

45. Goals and principles of managing the financial risk

Currency risk

The activities of the Company is not exposed to currency fluctuations. As at 31 December 2013 the Company had cash assets of EUR 236k (31.12.2012: EUR 19k.)

Risk related to growth of the overdue receivables portfolio

At the day of preparing this annual financial statement, the Company controls the level of overdue receivables. The following situation cannot be excluded, in which contracting parties in the future shall not be able to pay

on time their outstanding, which fact can significantly and negatively influence the financial standing of the Company.

Risk related to liquidity

Alike most of the companies operating in the construction industry, the Company shows seasonality of sale, that can be characterized by generating major part of incomes in the second half of the calendar year and significantly lower level of incomes within the first quarter, which fact influences the liquidity management and demand for working capital of the Company. The Company liquidity is influenced also by the circumstance that its major receivers obtain financial resources for purchase of services provided by the Company from the Government of Poland and European Union donations. Legal regulations representing the grounds for such donations do not allow their transfer to financing VAT tax. It cannot be excluded, that receivables by virtue of due VAT can be regulated by the receivers in aid of the Company with delay, which fact shall not release the Company from the obligation to pay the tax within timeframe stipulated in the Law.

Irregularity of payments and delay in receiving VAT tax amounts from receivers, may negatively influence the Company liquidity. On the other hand, Trakcja PRKiI S.A., while executing the construction contracts, obtains advance money for performing the works in amounts from 10% to 20%, what improves the financial liquidity of the Company and enables financing the initial costs of construction regardless of the invoicing for the performed services. Unexpected variations within the scope of liquidity and unexpected growth of demand for working capital may significantly and negatively influence the financial standing of the Company.

In order to minimize the risk of loss of liquidity, the Company uses external sources of financing in the form of loans (working capital and investment loans), bonds, and factoring financing. Liabilities in respect of loans and advances as at 31 December 2013, together with their maturity are presented in note 38. The maturity of the bonds of series C and E issued by the Parent Company is 31 December 2015. Interest on the bonds are payable on the dates of 30 June and 31 December each year from the issue date to the maturity date of bonds series C and E and in the maturity date of the bonds series C and E.

Risk of interest rate

On 31 December 2013, there is a risk related to changes of the interest rates in relation to interest of credits and loans incurred by Trakcja PRKiI. Detailed information about the credits and loans incurred by the Company is included in note No. 35.

Interest rate risk – susceptibility to changes

The analysis of the impact of the interest rate variability onto the financial result of the Company as on 31 December 2013 and 31 December 2012 was presented below. In order to perform the sensitivity analysis to the interest rate changes, the interest rate changes were assessed as on 31 December 2013 and 31 December 2012 at the level ±1 percentage point.

	Value at the balance-sheet date	**Sensitivity to changes as at 31.12.2013**	
		+100 pb (PLN, EUR)	**-100 pb (PLN, EUR)**
Trade receivables (present value)	421 463		
Trade payables (present value)	283 440		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	47 239	356	(356)
Loans and credits, factoring liability, bonds (nominal value/interest)	210 587	(2 088)	2 088
Gross impact on period result and net assets		**(1 732)**	**1 732**
Deferred tax		(329)	329
Total		**(1 403)**	**1 403**

	Value at the balance-sheet date	Sensitivity to changes as at 31.12.2012	
		+ 100 pb (PLN, EUR)	- 100 pb (PLN, EUR)
Trade receivables (present value)	119 321		
Trade payables (present value)	179 274		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	55 236	504	(504)
Loans and credits, factoring liability, bonds (nominal value/interest)	207 866	(2 230)	2 230
Gross impact on period result and net assets		**(1 726)**	**1 726**
Deferred tax		(328)	328
Total		**(1 398)**	**1 398**

Risk of raw materials prices changes

Because the Company uses during the course of its business a series of raw materials, such as steel, copper, aggregates and concrete prefabricates, it is directly endangered to changes of their prices. The policy of limiting the risk of raw materials prices changes administered by the Company, does not allow its complete elimination. That is why, major variations of materials prices may negatively influence the financial standing of the Company.

Credit risk

Trakcja PRKiI S.A. applies the policy of concluding contracts with contracting parties of high credibility and verified credit capacity. The evaluation of the credit capacity is performed on regular basis. In case of negative evaluation of the future credit capacity of the contracting party, the Company applies adequate financial or property securities in order to minimize the credit risk. Financial services monitor on current basis the receivables status limiting the bad debt risk. The balance sheet value of financial assets posted in the financial statement corresponds to the maximum exposure of the Company to credit risk (without consideration of securities). Because at the balance sheet date 71% of the total receivables of the Company were the receivables of PKP PLK S.A. there is significant concentration of the credit risk.

Disclosures relating to trade receivables overdue and trade receivables write-offs are presented in Note 29.

Loans represent the main part of the loans granted to the subsidiary. The credit risk of such loan is limited because the Company controls the operational activities of the subsidiary.

The Company cooperates with financial institutes of high credibility. Free cash is deposited in a few banks in order to avoid concentration of risk related to liquid resources.

The maximum exposure to credit risk is equal to the carrying value of the following financial instruments:

	Book value		
The maximum exposure to credit risk	**31.12.2013**	**31.12.2012**	**01.01.2012**
Loans to:	19 254	20 272	4 165
- unrelated parties	2 125	4 049	3 953
- subsidiaries	17 130	16 223	212
Trade receivables and other:	420 897	126 418	308 563
- from unrelated parties	415 672	114 711	289 801
- from subsidiaries	5 225	11 707	18 762
Cash and cash equivalents	33 744	48 763	108 097
Bank guarantees deposits	13 496	6 472	1 072
Total	**487 392**	**201 925**	**421 897**

46. Balance sheet elements measured in fair value

The following table shows all the items of the balance sheet measured at fair value with the indication of the level of the fair value hierarchy.

Items recognized in fair value	Level 1		Level 2		Level 3	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Investment funds units	-	29	-	-	-	-
Derivatives (liability side)	-	-	144	-	-	-
Investment property	-	-	-	-	25 699	11 122

The assumptions used in determining fair values:

- The different categories of financial instruments are described in Note 44.
- Investment properties are described in Note 23.

47. Additional information to the cash flow statement

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

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Cash in hand	98	50	108
Cash at bank	6 183	15 887	70 711
Other cash - deposits up to 3 months	27 463	32 826	37 278
Total cash and cash equivalents	**33 744**	**48 763**	**108 097**
Cash and cash equivalents excluded from cash flow statement	-	-	-
Cash and cash equivalents presented in cash flow statement	**33 744**	**48 763**	**108 097**
- including restricted cash	912	-	14 453

Cash and cash equivalents excluded from the cash flow statement as at 31 December 2013 relate to restricted cash in the amount of PLN 912k stands for cash used to pay off the interest on the bonds.

48. Conditional receivables and liabilities

Conditional receivables and liabilities are presented in the below table:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Contingent receivables			
From related entities due to:	**138 772**	**123 885**	**126 500**
Received guarantees and sureties	124 254	110 637	116 194
Bills of exchange received as collateral	14 518	13 248	10 306
Total contingent receivables	**138 772**	**123 885**	**126 500**
Contingent liabilities			
From related entities due to:	**716**	**2 385**	**-**
Provided guarantees and sureties	716	2 385	-
From other entities due to:	**1 867 942**	**2 687 836**	**1 139 295**
Provided guarantees and sureties	304 849	385 256	422 786
Promissory notes	493 193	552 934	438 352
Mortgages	165 300	229 800	154 500
Assignment of receivables	778 032	1 335 193	-
Assignment of rights under insurance policy	71 045	73 265	68 233
Security deposits	15 831	7 195	3 769
Other liabilities	39 692	104 193	51 655
Total contingent liabilities	**1 868 658**	**2 690 221**	**1 139 295**

As a result of contract concluded with employees, the Company as per 31 December 2013 possessed conditional receivables in amount 736 thousand PLN, in an event of a manager's failure to comply with his or her duties defined in Art. 1 of the Non-Competition Agreement, this manager will pay, immediately and without a termination notice or any demand from the Company, liquidated damages in favour of the Company in an amount in PLN equivalent to EUR 25,000 for each instance of infringement and an amount in PLN equivalent to EUR 1,000 for each day in which such an infringement takes place or is continued as well as contingent liabilities in an amount of 7,171 thousand PLN . In the year 2011 the conditional receivables amounted to 825 thousand PLN and conditional liabilities amounted to 7,297 thousand PLN.

Tax settlements and other fields of the business that are subject to regulations (e.g. customs and currencies), may the subject of administrative bodies control, which are entitled to impose high penalties and sanctions. Lack of reference to fixed legal regulations in Poland causes the occurrence of unclear and incoherent statements in the obligatory regulations. Frequent differences in opinions as to legal interpretation of tax regulations both inside the national bodies and between the national bodies and companies, create the fields of conflicts and uncertainty. These phenomena cause that tax risk in Poland is significantly higher that this usually present in the countries of more developed tax system. The tax settlements may be the subject of control for the period of five years, starting at the end of year in which the tax was paid. As a result of the performed controls, current tax settlements of the Company may be increased by additional tax obligations. In the Company's opinion, at the end of 2013, proper reserves were prepared for recognized and measurable tax risk.

49. Important court and disputable cases

In the reporting period, the Company was not parties to any pending court proceedings, arbitration proceedings or any proceedings before any public administration authorities, whose value, individual or in total, exceeded 10 percent of the equity of Trakcja PRKiI S.A., except for the following proceedings:

Court cases

Case of shareholder against Trakcja PRKiI S.A.

After the balance sheet date, the Management Board of Trakcja PRKiI S.A., in the current report no. 6/2014 of 10 March 2014 informed, in reference to the current report no. 1/2013 of 3 January 2013, about having received a decision of the Regional Court in Warsaw about closing the proceedings (notified by the Company in the aforementioned report) brought by a Company shareholder – a private individual – against the Company concerning stating invalidity of resolutions undertaken on 12 December 2012 on the Extraordinary Shareholders Meeting i.e.: (i) resolution no. 4 on issue of bonds exchangeable to shares series H, and (ii) resolution no. 5 on conditional increase of share capital, cancellation of subscription rights of existing shareholders, and change of the Company's Articles of Association.

Disputes

Agreement between PNI and PRKiI

In reference to the current report no. 34/2013 of 28 March 2013 on imposing a contractual penalty by the Company's subsidiary - Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. based in Wrocław ("PRKiI"), on 22 April 2013 an agreement was concluded with Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in arrangement bankruptcy based in Warsaw (hereinafter: "PNI"), pursuant to which the parties terminated the executive contract concluded between PRKiI (as the Partner) and PNI (as the Leader) of 25 October 2011 executed in connection with the conclusion by the consortium composed of: PNI, PKP Energetyka S.A., PRKiI, Dolnośląskie Przedsiębiorstwo Napraw Infrastruktury Komunikacyjnej Sp. z o.o. z PKP Polskie Linie Kolejowe S. A. ("Contracting Authority") of the Agreement No. 90/116/0006/11/Z/I for basic line construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of Dolnośląskie Voivodeship, within the scope of the project POIiŚ 7.1. – 4 "Modernization of the railway line E 59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of Dolnośląskie Voivodeship, the conclusion of which was notified by the Company in the current report no. 34/2011 of 25 May 2011.

Pursuant to the aforementioned agreement, the parties represented and confirmed that they have no claims against each other due to contractual penalties and interest thereon, and if such claims arise up to the date of concluding the aforementioned agreement the parties waive the same, unless expressly provided otherwise in the agreement.

The Parties represented that existing mutually charged contractual penalties are deemed non-existent save for PRKiI receivables in the PNI bankruptcy proceedings defined in the notification; PNI questions the existence of these penalties. Waiver of claims, including contractual penalties, does not concern any claims of PRKiI which arose before the date of announcement of PNI's bankruptcy and by law covered by an arrangement, indicated in PRKiI claims notification.

Conclusion of an agreement between PNI and Trakcja

On 22 April 2013 an agreement was concluded between PNI Sp. z o.o. and Trakcja S.A. on cooperation during the Contract for the performance of construction works in modernization of the railway line no. at the section from km 236.920 to km 287.700 included in the zone of the Local Steering Centre based in Malbork within the scope of the Project POIiŚ 7.1 - 1.3 "Modernization of the Railway Line E65/C - E 65 at the section Warsaw - Gdynia area LCS Iława and LCS Malbork.".

Pursuant to the above agreement, the parties offset mutual claims, and as a result Trakcja S.A. undertook to pay to PNI Sp. z o.o. PLN 12 063 910.94 gross. The payment was made on time.

Pursuant to par. 1 item 2, payment by Trakcja S.A. of the aforementioned amount on time and execution of obligations defined in § 2 of this agreement (releasing PNI from penalties /damages arising due to non-performance/improper performance of the Contract up to PLN 1 million, overtaking rights under the quality warranty and good performance bond, releasing PNI from incurring costs during the expanded period of the Contract term) exhausts all PNI claims due to the execution of the Consortium Agreement and mutual execution of orders by the parties. In addition PNI waived any further claims towards Trakcja S.A. on the condition of payment of the aforementioned amount.

Conclusion of the agreement results in an expiry of existing and future liabilities between the parties, which arose or may arise in connection with the Executive Agreement or the Consortium Agreement, and joint execution of the order. The parties hereby waive all claims covered by the arrangement due based on, or in connection with, the conclusion, performance or termination of the Executive Agreement, Consortium Agreement and joint execution of the order, and claims which may arise in the future on this account.

In addition, PNI found the liability charged to Trakcja S.A. with the accounting note no. 0018/1C/670132/ 01/03/2013 of 29 March 2013 at PLN 60 million as non-existent.

After the conclusion of the aforementioned agreement, on 22 August 2013, PNI modified its claim by withdrawing a part of the suit i.e. limiting the amount to PLN 6 709 526.44. In the light of Trakcja PRKiI S.A. meeting its obligations under the agreement of 22 April 2013, all claims of PNI against the company, in the opinion of the Management Board of the Dominant entity, have expired since PNI effectively and irrevocably waived its claims.

Payment of contractual penalty to Trakcja PRKiI S.A. by PKP Polskie Linie Kolejowe S.A.

In connection with the execution by the Consortium, i.e. Trakcja S.A., Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., ZUE S.A., Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o., Zakład Robót Komunikacyjnych DOM in Poznan Sp. z o.o., for PKP Polskie Linie Kolejowe S.A. based in Warsaw (hereinafter "Contracting Authority") of the Agreement of 31 May 2010 for construction works in complex modernization of stations and routes in the area of LCS Działdowo within the scope of the project POIiŚ 7.1-41: "Modernization of the railway line E-65/C-E 65 at the section Warszawa - Gdynia – area LCS Działdowo" ("Agreement"), of which the Company notified in the current report no. 9/2010 of 31 May 2010, the Company on 21 June 2013, acting on behalf of the Consortium issued- pursuant to the Agreement, a debit note amounting to PLN 95 297 116.95 for imposition on the

Contracting Authority of a contractual penalty due in connection with the Contracting Authority's failure to meet the contractual date for delivering the construction site, with the payment term of 14 days from receipt.

In the light of a lack of timely payment of the above contractual penalty, by the Contracting Authority, the Company, on behalf of the Consortium on 20 June 2013 filed, via Poczta Polska S.A., to the District Court for Warszawa Praga- Północ in Warsaw, VII Economic Division, a request for arrangement hearing addressed to PKP Polskie Linie Kolejowe S.A. based in Warsaw, as notified in the current report no. 61/2013 of 21 June 2013.

Up to the balance sheet date or thereafter the Contracting Authority did not make a payment to the Company nor has concluded an arrangement in this scope.

50. Dividends paid and declared

On June 17, 2013, Ordinary General Meeting of Shareholders of Trakcja PRKiI S.A. was held and a resolution was adopted to cover the loss for the year 2012 in the total profit that will be generated by the Company in future financial years.

51. Assets pledged as security

Assets pledged as security in their book values:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Tangible non-current assets	53 570	61 219	44 855
Investment property	25 699	11 122	9 218
Deposits	15 831	7 195	2 793
Receivables	-	10 043	-
Assignment of receivables	94 357	10 717	976
Total	**189 457**	**92 840**	**57 842**

In order to secure the obligations of the Issuer with respect to the bond-holders of Series C Bonds, on January 23, 2013, the Company entered into a pledge agreement, as a result of which Lithuanian Register of Mortgage registered a pledge on all of the Company's shares of AB Kauno Tiltai. The maximum value of the pledge was set at PLN 44 294 thousand.

52. Information about granted guarantees and warrants as well as securities on the property

On 31 December 2013, the Company had the following securities made on its assets:

I. Warranties

Name of company granting credit or loan guarantee	Name of entity to whom the guarantees are granted	Total amount of credits which is covered by guarantees in whole or in part (in ths. PLN)	Period for which the guarantee was granted	Nature of relationships between Trakcja PRKiI S.A. and the entity taking out credit or loan	Financial terms of guarantee granted
Trakcja PRKiI	PEUIM Sp. z o.o.	2 385	14.11.2014	subsidiary	free

II. Mortgages

Charged property	Amount of mortgage charges	Object of the mortgage	Remarks
Property in Warsaw Oliwska 11 Street	90 000	Bank credit	Tangible fixed assets
Property in Warsaw Golędzinowska Street, Skaryszewska Street, Gniewkowska Street	22 500	Bank credit	Investment properties
Property in Wrocław Kniaziewicza Street	12 000	Bank credit	Tangible fixed assets
Property in Wrocław Lotnicza Street	30 000	Bank credit	Tangible fixed assets
Property Bieńkowice	10 800	Bank credit	Tangible fixed assets
Total	**165 300**		

III. Sureties

Object of security	Charge amount
Security of contracts	13 495
Guarantee security of on time payment related to lease agreement	691
Payments under guarantee to PKP PLK	745
Tender guarantee	900
Total	**15 831**

53. Information on related companies

Total amounts of transactions concluded with related entities in the given fiscal year are presented below.

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial income due to dividends received	Financial revenue from FX differences and other
Shareholders:							
COMSA S.A.	1.01.13-31.12.13	-	-	-	-	-	9
	1.01.12-31.12.12	-	753	-	-	-	-
Jointly controlled:							
Bahn Technik Wrocław Sp. z o.o.	1.01.13-31.12.13	379	1 580	-	-	-	-
	1.01.12-31.12.12	308	1 710	-	-	-	-
Subsidiaries:							
PRK7 Nieruchomości Sp. z o.o.	1.01.13-31.12.13	49	46	-	86	1 000	-
	1.01.12-31.12.12	-	114	-	-	-	-
Torprojekt Sp. z o.o.	1.01.13-31.12.13	124	2 077	-	-	-	-
	1.01.12-31.12.12	132	5 399	16	12	-	-
AB Kauno Tiltai	1.01.13-31.12.13	3 359	33	-	-	-	-
	1.01.12-31.12.12	33	120	-	-	-	-
Przedsiębiorstwo Ulic i Mostów Sp. z o.o.	1.01.13-31.12.13	6 932	-	838	-	-	-
	1.01.12-31.12.12	7 312	-	423	-	-	-
AB Kauno Tiltai Lenkijos skyrius	1.01.13-31.12.13	-	6	-	-	-	-
	1.01.12-31.12.12	8 750	1 103	36	-	-	-
Total	**1.01.13-31.12.13**	**10 843**	**3 742**	**838**	**86**	**1 000**	**9**
	1.01.12-31.12.12	**16 535**	**9 199**	**474**	**12**	**-**	**-**

Information concerning receivables and liabilities from / to related companies at the end of the fiscal year is presented below.

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders:					
COMSA S.A.	31.12.2013	-	1 084	-	-
	31.12.2012	-	1 199	-	-
	1.12.2012	-	42	-	-
Jointly controlled:					
Bahn Technik Wrocław Sp. z o.o.	31.12.2013	11	702	-	-
	31.12.2012	11	555	-	-
	1.12.2012	32	190	-	-
Subsidiaries:					
PRK7 Nieruchomości Sp. z.o.o.	31.12.2013	692	-	-	-
	31.12.2012	7 167	6	-	-
	1.12.2012	18 731	20	-	-
Torprojekt Sp. z o.o.	31.12.2013	4	723	-	-
	31.12.2012	40	590	-	-
	1.12.2012	8	1 140	212	-
AB Kauno Tiltai	31.12.2013	3 305	5	-	-
	31.12.2012	-	3	-	-
	1.12.2012	-	-	-	-
Przedsiębiorstwo Ulic i Mostów Sp. z o.o.	31.12.2013	1 212	-	17 130	-
	31.12.2012	4 473	-	16 223	-
	1.12.2012	-	-	-	-
AB Kauno Tiltai Lenkijos skyrius	31.12.2013	-	7	-	-
	31.12.2012	16	-	-	-
	1.12.2012	-	-	-	-
Total	**31.12.2013**	**5 224**	**2 521**	**17 130**	**-**
	31.12.2012	**11 707**	**2 353**	**16 223**	**-**
	1.12.2012	**18 771**	**1 392**	**212**	**-**

Related party transactions are concluded at market conditions.

The balance of loans granted to related parties as at 31 December 2013 is presented below:

Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
PEUIM Sp. z o.o.	14 500	PLN	31.12.2014	fixed interests	15 730	subsidiary
PEUIM Sp. z o.o.	2 100	PLN	31.12.2013	fixed interests	1 400	subsidiary
Total	**16 600**				**17 130**	

Loans to subsidiaries are included in the current portion under other financial assets.

Members of Trakcja PRKiI S.A. Management Board, were not the shareholders or members controlling, co-controlling or having important influence on any entities.

In 2013, no material transactions with key management personnel of the Company were concluded.

54. Information on the benefits for key personnel

Remuneration of the managers of higher level and members of the supervisory bodies of the Company in 2013:

The remuneration of the Management Board of the Company:

		31.12.2013	31.12.2012
Roman Przybył	President of the Board	987	820
Marita Szustak	Vice-president of the Board	758	44
Nerijus Eidukevičius	Vice-president of the Board	60	11
Tadeusz Kałdonek	Vice-president of the Board	508	463
Stefan Dziedziul	Vice-president of the Board since 28.11.2013	550	-
Jarosław Tomaszewski	Vice-president of the Board since 28.11.2013	125	-
Rodrigo Pomar López	Vice-president of the Board till 12.06.2013*	1 490	211
Maciej Radziwiłł	President of the Board till 21.06.2012*	-	2 343
Tadeusz Bogdan	Vice-president of the Board till 19.09.2012*	525	381
Tadeusz Kozaczyński	Vice-president of the Board till 31.08.2012*	671	770
Dariusz Mańkowski	Vice-president of the Board till 19.09.2012*	651	493
Total		**6 325**	**5 536**

**) The salary includes the compensation paid due to resignation or dismissal from the position.*

The remuneration of the Board of Directors of the Company:

		31.12.2013	31.12.2012
Maciej Radziwiłł		120	-
Tomasz Szyszko	(do 29.06.2012)	-	30
Paweł Ziółek	(do 29.06.2012)	-	30
Andrzej Bartos	(od 12.06.2013)	33	-
Wojciech Napiórkowski		66	33
Alvydas Banys	(do 12.06.2013)	22	33
Julius Stalmokas		66	33
Miquel Llevat Vallespinosa		-	-
Jorge Miarnau Montserrat		-	-
Fernando Perea Samarra	(od 12.06.2013)	-	-
Total		**307**	**159**

55. Important events during the fiscal year and falling after the balance sheet date

Upon the balance sheet date until the day of preparing this annual consolidated financial statement, i.e. 21 March 2014, no events occurred which were not and should be included in the accountancy books of the fiscal year.

Important events in 2013:

Construction works contracts:

- On 6 February 2013, Trakcja concluded with Łódzka Kolej Aglomeracyjna Sp. z o.o. with its registered office in Łódź a material contract for the design and construction of technical facilities in relation with the project performed by the ordering party under the name of: "Construction of a system of Łódź Agglomeration Railway". The total net value of the contract is: PLN 55,245,333.
- On 25 July 2013, the Company, operating as the leader of the consortium "Konsorcjum Trakcja Polska"concluded with PKP Polskie Linie Kolejowe S.A. seated in Warsaw an annex to the agreement

concluded on 31 May 2010 by the consortium with the contracting authority for construction works in regard to complex modernization of the station and the routes within the area of LCS Działdowo (local steering centre), within the scope of the POIiŚ 7.1-41 project entitled: "Modernization of the E 65/C-E 65 railway line at the section Warsaw – Gdynia – LCS Działdowo area". Pursuant to the annex, material conditions of the agreement changed in such manner, so that the date of completion of the works was agreed as 40 months from the date of commencement of the works pursuant to the conditions of the agreement, and the date of preparation and submission of the as-built documentation and conducting the acceptance procedure was set at 41 months from the date of commencement of the works pursuant to the conditions of the agreement.

- On September 2, 2013 the Management Board of Trakcja S.A. informed that within the last 12 months the Company concluded with PKP Energetyka S.A. contracts of a total value of PLN 50,700,420 net. The highest value contract is the contract concluded on March 19, 2013 between the Company and the PKP Enegretyka S.A. in relation to the framework agreement for supply of 3kV DC switchgears concluded on February 13, 2013 between these entities. The total net value of the contract is PLN 33,351,000.
- The Management Board of Trakcja S.A. informed on October 7, 2013 that the Company concluded:
  - Annex to the Agreement for construction works for the modernisation of line no. 9 in the section from 236,920 km to 287,700 km included in the Local Control Centre located in Malbork under the Project: No. POIiŚ 7.1-1.3 "Modernisation of railway line E 65/ C-E 65 on the Warsaw - Gdynia section, LCC Ilawa, LCC Malbork", about which the Company informed in current report no. 35/2011 dated May 27, 2011.;
  - Annex to agreement of July 4, 2011 concluded between the Company and Bombardier Transportation (ZWUS) Polska Sp. z o.o., about which the Company informed in the current report no. 52/2011 dated July 5, 2011.

  The subject of the above-mentioned annexes to the agreement shall be extension of deadline for the construction works as mentioned in the agreements by 9 months.
- On 7 November 2013, Trakcja S.A. concluded with "Intercor" Sp. z o.o. Annex no. 3 dated 30 October 2013 to the Agreement no. P-4/2011 for "design and performance of construction works on the railway line Kraków – Medyka – state border at the section Podłęże – Bochnia at km 16,00 – 39,00" within the project "Modernization of the railway line E 30/C – E 30, section Kraków – Rzeszów, stage III" Tender 1.1. concluded on 9 September 2011. The subject of the aforementioned annex is a decrease of the total net value of remuneration from PLN 142,000,000.00 to PLN 136,115,927.00 i.e. by PLN 5,884,073.00.

Other important events:

- On 2 January 2013 the Management Board of Trakcja S.A. was informed that on 19 December 2012 a claim form was filed with the Regional Court in Warsaw by the Company's shareholder – a natural person – against the Company for a declaration of invalidity of resolutions passed on 12 December 2012 at an Extraordinary General Meeting of the Company, i.e.: (i) resolution no. 4 on issuing bonds convertible into series H shares and (ii) resolution no. 5 on a contingent increase of the share capital, depriving hitherto shareholders of a pre-emptive right and on amendments to the Company's Statute under art. 425 of the Polish Commercial Companies Code, or for annulling these resolutions pursuant to Art. 422 of the Polish Commercial Companies Code.
- On 15 January 2013 that the Management Board and Supervisory Board of the Company adopted resolutions on the issuance of series C, D and E shares and the purchase for redemption of series A and B bonds issued by the Company. Payment for the purchased series A and B bonds will take place through payment of cash and write-off of receivables to which some bonds holders are entitled from the Company and vice versa.
- On 23 January 2013 a pledge was registered with the Lithuanian Mortgage Registry on all the Company's shares in AB Kauno tiltai with its registered office in Ateities pl. 46, Kaunas, Lithuania, i.e. 148.981 shares of the nominal value of 130 Lithuanian litai each, constituting in total 96.837% of the

share capital and of the total number of shares at a general meeting of AB Kauno tiltai. The shares constitute a long-term investment of the Company.

- On January 31,2013, Trakcja issued:
- 29,529 secured bearer series C bonds of the total nominal value of PLN 29,529,000,
- 197 convertible series D bonds of the total nominal value of PLN 98,500,000,
- 20,921 unsecured bearer series E bonds of the total nominal value of PLN 20,921,000.
- On 31 January 2013, Trakcja purchased for redeeming:
- 142,778 unsecured bearer series A bonds of the nominal value of PLN 1000 each and the total nominal value of PLN 142,778,000,
- 13,000 unsecured bearer series B bonds of the nominal value of PLN 1.000 each and the total nominal value of PLN 13,000,000.00 issued by the Company on 19 April 2011.
- On 4 February 2013, Trakcja received from holders of series D bonds issued on 31 January 2013 convertible to series H shares in the Company a demand for exchanging the bonds in the total number of 131 for shares in the total number of 119,090,904. The exchange price (issuance price) was set, pursuant to resolution no. 4 of the general meeting of the Company of 12 December 2012 and the conditions of issuance of bonds, at the level indicated for the first exchange period, at an amount of PLN 0.55 per share.
- On 8 February 2013 the management board of Krajowy Depozyt Papierów Wartościowych S.A. had adopted a resolution relating to the redemption by the Company, pursuant to Art. 25 par. 1 of the Act of 29 June 1995 on bonds, of the following:
- 142,778 bearer series A bonds of the nominal value of PLN 1000 each and the total nominal value of PLN 142,778,000.00 dematerialised in KDPW;
- 13,000 bearer series B bonds of the nominal value of PLN 1000 each and the total nominal value of PLN 13,000,000.00 dematerialised in KDPW.
- On 19 February 2013, Trakcja received a demand for exchanging the remaining 2013 series D bonds (issued by the Company on 31 January 2013 – Bonds) for series H shares in the Company (Shares) in a total number of 60,000,000. The exchange price (issuance price) was set, pursuant to resolution no. 4 of the general meeting of the Company of 12 December 2012 and the conditions of issuance of bonds, at the level indicated for the first exchange period, at an amount of PLN 0.55 per share.
- On 26 February 2013 that pursuant to resolution no. 228/2013 of 26 February 2013 of the management board of Giełda Papierów Wartościowych w Warszawie S.A., 119,090,904 series H shares in the Company, being ordinary bearer shares of the nominal value of PLN 0.10 each, had been admitted to trading at the main market, the official stock exchange listing market, pursuant to Art. 16 par. 2 of the Act of 29 July 2005 on trading in financial instruments.
- Pursuant to resolution no. 126/13 of 18 February 2013 of Krajowy Depozyt Papierów Wartościowych S.A., 131 series D bonds issued on 31 January 2013 marked with code PLTRKPL00071, were exchanged for 119,090,904 series H shares in the Company, being ordinary bearer shares of the nominal value of PLN 0.10 each, marked with code PLTRKPL00014.
- On 1 March 2013 the Management Board of Trakcja S.A. informed that it had received from Invalda AB, a company under Lithuanian law with with its registered office in Vilnius ("Invalda"), a notification stating that as a result of transactions performed by Invalda at the Warsaw Stock Exchange in Warsaw and as a result of exchanging 131 series D bonds issued by the Company for 119,090,904 series H shares in the Company and increasing the share capital of the Company, of which the Company informed in current report no. 15/2013 of 28 February 2013, the number of shares held by Invalda in relation to the total number of shares at a general meeting of the Company fell below 5%.
- On 1 March 2013 the Management Board of Trakcja S.A. informed that it had received from Comsa S.A., a company under Spanish law with with its registered office in Barcelona ("Comsa"), a notification stating that as a result of the exchange performed on 28 February 2013 of 131 series D bonds issued by the Company (including 41 bonds held by Comsa) for 119,090,904 series H shares in the Company and increasing the share capital of the Company, of which the Company informed in current report no. 15/2013 of 28 February 2013, the number of shares held by Comsa and its capital group in relation to

the total number of shares at a general meeting of the Company changed by more than 1%. Prior to the Conversion, Comsa and its subsidiary Comsa Emte Sp. z o.o. held 81,145,510 shares in the Company, constituting 34.96% of the share capital of the Company. These shares entitled to 81,145,510 votes at a General Meeting of the Company, which constituted 34.96 % of the total number of votes.

- On 1 March 2013, the Management Board of the Company informed that the Company had purchased for redemption 5346 unsecured bearer bonds of series A of the nominal value of PLN 1000 each and the total nominal value of PLN 5,346,000.00 marked with ISIN code: PLTRKPL00048 ("Series A Bonds"), issued by the Company on 19 April 2011. The bonds were acquired pursuant to: (i) Art. 25 of the Act on Bonds, (ii) the resolution of the Management Board of the Company of 12 January 2013, and (iii) the resolution of the Supervisory Board of the Company of 14 January 2013.
- On 5 March 2013, the Management Board of Trakcja S.A. informed that the Company received from UAB "NDX energija", a company under Lithuanian law with with its registered office in Vilnius ("NDX"), a notification stating that as a result of the exchange performed on 28 February 2013 of 131 series D bonds issued by the Company (including 22 bonds held by NDX) for 119,090,904 series H shares in the Company and increasing the share capital of the Company, of which the Company informed in current report no. 15/2013 of 28 February 2013 ("Conversion"), the number of shares held by NDX exceeded 5%. Prior to the Conversion, NDX held 10,409,825 shares in the Company, constituting 4.485% of the share capital of the Company (amounting in total to PLN 23,210,548.00). These shares entitled to 10,409,825 votes at a General Meeting of the Company, which constituted 4.485 % of the total number of votes.
- On 6 March 2013 the Management Board of Trakcja S.A. informed that the Company received from Pioneer Pekao Investment Management S.A. ("PPIM") a notification concerning an increase in its total participation to the level of 16.54% of the total number of votes at a General Meeting of the Company with regard to financial instruments included in the financial instruments portfolios managed by PPIM as part of its services, as a result of: (i) exchanging 131 series D bonds issued by the Company for 119,090,904 series H shares in the Company (including 58,181,815 shares taken up by all the customers of PPIM with regard to the portfolios managed by PPIM) and increasing the share capital of the Company, of which the Company informed in current report no. 15/2013 of 28 February 2013, and (ii) selling 100,000 series H shares in the Company at the regulated market, both taking place on 28 February 2013.
- The Management Board of Trakcja S.A., in reference to current report no. 18/2013 of 18 March 2013, was informed that on 11 March 2013 the management board of Krajowy Depozyt Papierów Wartościowych S.A. ("KDPW") adopted a resolution in which it stated that in relation to the redemption, pursuant to Art. 25 par. 1 of the Act of 29 June 1995 on bonds, of 5346 series A bonds issued by the Company marked with code PLTRKPL00048 (of the nominal value of PLN 1.000 each and the total nominal value of PLN 5,346,000), these bonds had been withdrawn from the deposit kept by KDPW and as a result as of the day of the resolution there were 240 series A bonds marked with PLTRKPL00048.
- The Management Board of Trakcja S.A. informed that on 15 March 2013, pursuant to resolution no. 286/2013 of 15 March 2013 of the management board of Giełda Papierów Wartościowych w Warszawie S.A., 60,000,000 series H shares in the Company, being ordinary bearer shares of the nominal value of PLN 0.10, had been admitted to trading at the main market, the official stock exchange listing market, pursuant to Art. 16 par. 2 of the Act of 29 July 2005 on trading in financial instruments. The management board of GPW also decided to introduce the shares to trading at the main stock exchange market as of 19 March 2013, under the condition that the shares are on 19 March 2013 registered by Krajowy Depozyt Papierów Wartościowych S.A. and marked with code PLTRKPL00014.
- On 19 March 2013, pursuant to resolution no. 181/13 of 7 March 2013 of Krajowy Depozyt Papierów Wartościowych S.A., 66 series D bonds issued on 31 January 2013 pursuant to resolution no. 4 of the Extraordinary General Meeting of the Company of 12 December 2012 and resolution no. 2 of the Management Board of the Company of 12 January 2013, marked with code PLTRKPL00071, were exchanged for 60,000,000 series H shares in the Company, being ordinary bearer shares of the nominal value of PLN 0.10 each, issued as part of the contingent increase of the share capital pursuant to resolution no. 5 of the Extraordinary General Meeting of the Company of 12 December 2012, marked

with code PLTRKPL00014. Due to the conversion of all the remaining bonds, KDPW decided to close the deposit accounts kept for series D bonds marked with code PLTRKPL00071. As a result of the exchange of bonds for shares, the share capital of the Company now amounts to PLN 41,119,638.40 and is divided into 411,196,384 shares which entitle their holders to exercise the same number of votes at a general meeting of the Company.

- The Management Board of Trakcja S.A. informed that on 21 March 2013 the Company received from Comsa S.A., a company under Spanish law with with its registered office in Barcelona, a notification stating that as a result of exchanging 66 series D bonds issued by the Company for 60,00,000 series H shares in the Company and increasing the share capital of the Company taking place on 19 March 2013, the participation of Comsa and its capital group in the total number of votes decreased by 4.92%. Comsa and its subsidiary, Comsa Emte sp. z o.o. possess at present the 118,418,237 shares in the Company which constitutes 28.80%.
- The Management Board of Trakcja S.A. informed, that on March 22, 2013 about the fulfilment of the conditions under which Nordea Bank Finland Plc, operating within the territory of Lithuania through Nordea Bank Finland Plc Branch in Lithuania and AB DNB Bank agreed to set pledge on the shares owned by AB Kauno tiltai in order to secure the C series bonds C marked with code PLTRKPL00063 issued by the Company. With the above in mind, the Banks shall not be able on the basis thereof to request cancellation of Bond security.
- The Management Board of Trakcja S.A. informed that on March 22, 2013 the Company received a notice from Pioneer Pekao Investment Management S.A. regarding a decrease of the total exposure to 13.94% of the total number of votes at the General Meeting of the Company with respect to financial instruments being part of the portfolios managed by PPIM within its services related to the management of financial instrument portfolios due to the conversion of 66 D series bonds issued by the Company into 60,000,000 H series shares of the Company and increase of the Company's share capital on 19 March 2013, about which the Company informed in current report no. 23/2013 of 19 March 2013. Due to the above-mentioned conversion and increase of the share capital of the Company, 57,304,712 of the Company's shares being part of the portfolios managed by PPIM within its services related to the management of financial instrument portfolios currently constitute 13.94% of the share capital of the Company. These shares entitle to 57,304,712 votes at the General Meeting of the Company, which constitutes 13.94% of the total number of votes.
- The Management Board of Trakcja S.A. informed on 22 March 2013 the Company received a notice from ING Open Pension Fund that due to a conversion of 66 D series bonds held by ING into 60,000,000 H series shares and increase of the Company's share capital, which took place on 19 March 2013 and about which the Company informed in current report no. 23/2013 of 19 March 2013, ING shall increase the percentage of total voting rights in the Company over 15%. As a result of the Conversion, ING acquired 60,000,000 shares in the Company, thus, as on the day of notice, ING held 81,321,651 shares entitling to 81,321,651 votes at the General Meeting of the Company, which constituted 19.78 % of the Company's share capital and total number of votes.
- The Management Board of Trakcja S.A. informed that on 25 March 2013 the Company received from Mr Jonas Pilkauskas, citizen of Lithuania, a notification stating that as a result of exchanging 66 series D bonds issued by the Company for 60,00,000 series H shares in the Company and increasing the share capital of the Company taking place on 19 March 2013, of which the Company informed in current report no. 23/2013 of 19 March 2013, the participation of Mr Jonas Pilkauskas in agreement with Ms Irena Angelė Èernevièiūtė and Ms Vaida Balèiūnienė within the meaning of Art. 87 par. 1 point 5 of the Act on Public Offering in the total number of votes in the Company fell below 5%. In relation with the increase in the share capital of the Company as a result of the Exchange, the participation of the Investors in the share capital of the Company and in the total number of votes at a general meeting of the Company decreased accordingly, and at present the 20,045,377 shares in the Company held by the Investors constitute 4.875%.
- The Management Board of Trakcja S.A. informed that on 15 April 2013, it was informed that on 15 April 2013 Mr. Alvydas Banys filed his resignation from the position of member of the Supervisory Board of the Company effective as of 1 May 2013 on personal grounds. Mr. Alvydas Banys is Vice-Chairman of the Supervisory Board of the Company.

- The Management Board of Trakcja S.A. informs that on 23.04.2013 it received a decision of the District Court for the capital city of Warsaw, in Warsaw, XII Commercial Division of the National Court Register of 12.04.2013, regarding the registration of a change in the amount of the Issuer's share capital to the amount of PLN 35,119,638.40 and a decision of the Court of 15.04.2013, regarding the registration of a change in the amount of share capital to the amount of PLN 41,119,638.40. General number of votes at the Issuer's General Meeting resulting from all issued shares after Registration 1 amounted to: 351.196.384 votes. General number of votes at the Issuer's General Meeting resulting from all issued shares after Registration 2 amounts to: 411.196,384 votes.
- The Management Board of Trakcja S.A. hereby informed on May 10, 2013 that the Company and its subsidiary: Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. with its registered office in Wroclaw, within the last 12 months, concluded with BRE Bank Spółka Akcyjna with its registered office in Warsaw contracts of the total value of PLN 92,000,000.00 (ninety-two million zlotys). The contract of the greatest value is: recourse factoring agreement concluded on 10 May 2013 between BRE Faktoring Spółka Akcyjna with its registered office in Warsaw (hereinafter: "Factor") and the Company. On the basis of the Agreement, the Factor provides factoring services consisting in the Factor's purchasing accounts receivable with recourse against the Company, financing accounts receivable, keeping settlement accounts and sending reminders to entrepreneurs who are debtors of the Company on account of sale of goods, supply of goods or provision of services or are obliged to pay the price on account of sale of goods, supply of goods or provision of services, who as a result of the Factor's purchasing of accounts receivable become debtors of the Factor.
- The Management Board of Trakcja Spółka Akcyjna informed on May 13, 2013 that, in conjunction with the current report no 42/2013 of 13 of May 2013, announces the draft resolutions that will be discussed at the Annual General Meeting convened as at 12 June 2013.
- The Management Board of Trakcja S.A. informed on May 13, 2013 that, in connection with the report no. 43/2013 dated 13 May 2013 and proposed amendments to the Company's Statute, hereby announces the current wording and proposed amendments to the Company's Statute.
- In connection with the conclusion of an agreement on factoring with regress on 10 May 2013 between BRE Faktoring Spółka Akcyjna based in Warsaw and the Company, on 15 May 2013 the Company obtained from Alior Bank S.A. (the bank, with which the Company has a credit agreement signed) consent for the conclusion of the aforementioned agreement. In connection with the consent obtained from Alior Bank S.A., the condition suspending entry into force of the agreement was met.
- On 11 June 2013, Pioneer Pekao Investment Management S.A. acting on behalf of Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. with its registered office in Warsaw - the management company representing Pioneer Fundusz Inwestycyjny Otwarty (Open-End Investment Fund) with its registered office in Warsaw, operating within the framework of the following sub-funds: 1) Pioneer Zrównoważony, 2) Pioneer Akcji Polskich, 3) Pioneer Stabilnego Wzrostu, 4) Pioneer Małych i Średnich Spółek Rynku Polskiego, 5) Pioneer Obligacji Plus, being the shareholders of the Company, appointed Andrzej Bartos and Wojciech Napiórkowski as candidate members of the Supervisory Board of the Company.
- On 11 June 2013, the Supervisory Board, pursuant to Article 16.2.7 of the Company's Articles of Association, decided to select BDO sp. z o.o. based in Warsaw at ul. Postępu 12, 02-676 Warsaw, as the entity authorized to audit financial statements for 1H 2013 and for 2013.
- On 12 June 2013, the Company's Supervisory Board recalled from the Management Board Mr Rodrigo Pomar López, Vice-President of the Management Board.
- On June 12, 2013, the Ordinary General Meeting of the Company took place. The contents of all of the resolutions adopted an annex to the current report No. 52/2013. The Annual General Meeting of Shareholders appointed to the Supervisory Board of the Company on a new joint three-year term:
- Mr. Andrzej Bartos;
- Mr. Wojciech Napiórkowski;
- Mr. Julijus Stalmokas.
- COMSA SA based in Barcelona, which is a shareholder of the Company, appointed in accordance with art. 13 section 4 of the Articles of Association of the Company as a Member of the Supervisory Board:

- Mr. Miquel Llevat Vallespinosa;
- Mr. Jorge Miarnau Montserrat;
- Mr. Maciej Radziwiłł;
- Mr. Fernando Perea Samarra.
- On 17 June 2013, the Company provided, in the current report no. 60/2013, the list of shareholders holding at least 5% of the total number of votes at the Ordinary Meeting of Shareholders which took place on 12 June 2013.
- On July 25, 2013, the Company's Supervisory Board undertook resolutions concerning reorganization within the Company's group. More details concerning this reorganization are presented in note no. 40.
- On July 31, 2013, the Company received a notification from Pioneer Pekao Investment Management S.A. ("PPIM") about the reduction of the total interest to 11.00 % of the total number of votes at the Company's General Meeting in the scope of financial instruments included in the composition of portfolios managed within the scope of PPIM's provision of services in the area of managing the portfolio of financial instruments, as a result of the sale of shares conducted on July 24, 2013.
- On August 1, 2013, pursuant to a resolution, the Management Board made a decision on an earlier submission of estimate financial data for the first half of the year 2013 in connection with the need to disclose to the banks, with which the Company and Group companies have agreements concluded for bank products, and to the Company's bondholders, the Group's estimates of consolidated financial results and estimates of separate financial results of the company Trakcja S.A. for the first half of the year 2013, to accelerate obtaining relevant consents to conduct the restructuring.
- On August 8, 2013, the Company received a decision of the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Division of the National Court Register, dated July 18, 2013, concerning, amongst others, registration of the change of the Issuer's status and removal of the nominal value of the conditional increase of the share capital.
- On August 9, 2013, the Company received a notification from Pioneer Pekao Investment Management S.A. about the reduction of the total interest to 8.52 % of the total number of votes at the Company's General Meeting in the scope of financial instruments included in portfolios managed within the scope of PPIM's provision of services in the area of managing the portfolio of financial instruments, as a result of the sale of shares conducted on August 2, 2013.
- On September 26, 2013, the Company received from Pioneer Pekao Investment Management S.A. ("PPIM") a notification concerning a decrease in the total participation to the level of 4.97% of the total number of votes at a General Meeting of Shareholders of the Company with regard to financial instruments included in the financial instruments portfolios managed by PPIM as part of its services, as a result of the sale of shares which took place on September 18, 2013.
- On October 1, 2013 was held a meeting of holders of series A bonds issued by the Company. The meeting of series A Bond Holders adopted all the resolutions included in the agenda with content consistent with appendix no. 1 to current report no. 71/2013 of September 20, 2013.
- On October 9, 2013, the Company received a notice from UAB "NDX energija" informing that it does not hold any shares in Trakcja S.A. any longer, which entitled to exercise voting rights at the General Meeting of Shareholders of the Company. As a result of the transaction made on the regulated market on October 4, 2013, UAB "NDX energija" reduced its share in the Company to the level below 5% of the total votes at the General Meeting of Shareholders. After having completed the above-mentioned transaction - UAB "NDX energija" entered into another transaction, as a result of which it sold all the remaining shares and currently holds no shares in Trakcja S.A.
- On October 14, 2013 Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of PZU Open Pension Fund PZU "Złota Jesień" informed the Company that due to the purchase of shares in the Company on October 4, 2013 on the Warsaw Stock Exchange, the number of shares currently held by the fund allows to exceed 5% of votes at the General Meeting of Shareholders of the Company. Currently, the fund holds 34,797,195 shares corresponding to 34,797,195 votes, which constitute 8.46% of the capital share of the Company and entitle to 8.46% of votes at the General Meeting of Shareholders of the Company.

- On October 14, 2013, the Company received a notice from ING Powszechne Towarzystwo Emerytalne S.A. , acting on behalf of ING Open Pension Fund ("Fund") informing that due to the transactions on the Warsaw Stock Exchange recorded on October 8, 2013, the volume of shares held by the fund was reduced by at least 2% of votes at the General Meeting of Shareholders of the Company. As a result of the above-mentioned transaction, the Fund currently holds 69,353,438 shares in the Company, which constitutes 16.87 % of the share capital of the Company. The shares entitle to 69,353,438 votes at the General Meeting of Shareholders of the Company, which constitutes 16.87 % of the total number of votes.
- As of October 17, 2013 Mr. Jarosław Tomaszewski took a post of the Financial Director of Trakcja S.A. On the upcoming meeting on November 28, 2013, the Supervisory Board of Trakcja S.A. shall adopt a resolution on the appointment of Mr. Jarosław Tomaszewski for the post of the Vice-President of the Management Board of Trakcja S.A. - Financial Director of the Company.
- On October 18, 2013 the Management Board of the Company adopted a resolution concerning the intention to merge the Company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A., with its registered office in Wrocław. Further details concerning the merger are presented in note no. 18 of the condensed consolidated financial statements.
- On October 26, 2013 the merger plan was signed and published with respect to the merger of the Company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- On October 26, 2013 the Company published a first notice about the intention of a merger of the Company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- On October 29, 2013 was held a meeting of holders of series E bonds issued by the Company. The meeting adopted resolution expressing consent for the merger of the Issuer with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- On October 29, 2013 was held a meeting of holders of series C bonds issued by the Company. The meeting adopted resolution expressing consent for the merger of the Issuer with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- On 24 October 2013 the Company sent through the Polish Post Final Pre-trial request for payment to PKP Polish Railway Lines with its registered office in Warsaw at the amount of PLN 95 297 116,95 together with interest from the due date. The Default Notice was sent to PKP Polskie Linie Kolejowe S.A. with respect to default payment of the liquidated damages due to the Company, as the Contracting Party failed to make the construction site available on time pursuant to the agreement for construction works for comprehensive modernisation of train station and routes in the area of LCS Działdowo under POIiŚ 7.1-41 project, which was concluded on 31 May 2010; "Modernisation of railway line E-65/C-E 65 on the section Warsaw - Gdynia - LCS Działdowo" ("Agreement"). The Company informed about the conclusion of the above-mentioned Agreement in current report no. 9/2010 of 31 May 2010.
- On October 30, 2013 the Management Board of Trakcja S.A. announced a change of date on consolidated quarterly report for the period of 9 months ended on September 30, 2013. The statement shall be published on November 4, 2013.
- On October 31, 2013 was held a meeting of holders of series A bonds issued by the Company. The meeting adopted resolution expressing consent for the merger of the Issuer with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.
- On 12 November 2013, the Management Board of Trakcja S.A. informed again about the intention to merge with the subsdiary PRKiI S.A.
- On 20 November 2013, the Management Board of Trakcja S.A. published a written statement of the Management Board concerning the planned merger of the company with PRKiI S.A.
- On 27 November 2013, an Extraordinary Shareholders Meeting took place, which undertook resolutions on the merger of Trakcja S.A. and PRKiI S.A.; changes of the company name to Trakcja PRKiI S.A., and change of the Company's Articles of Association.
- On 28 November 2013, the Supervisory Board of the Company adopted a resolution on appointing Mr. Jarosław Tomaszewski as Vice-President of the Management Board.

- On 28 November 2013, the Supervisory Board of the Company adopted a resolution on appointing Mr. Stefan Dziedziul as Vice-President of the Management Board.
- On 5 December 2013, the Company received a notification from Mr Nerijus Eidukevičius, Vice-President of the Company's Management Board on the sale of 381 584 shares as a result of a transaction at the Warsaw Stock Exchange on 3 December 2013.
- On 19 December 2013, the District Court for the capital city of Warsaw, XII Economic Division of the National Court Register, as the competent court for the Overtaking Company, entered the merger of the Company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. based in Wrocław ("PRKiI" or "Acquired Company"). The merger of the Company with the Acquired Company took place by transferring the entire property of the Acquired Company to the Company, i.e. merger through acquisition within the meaning of Article 492 § 1 point 1 of the Code of Commercial Companies and Partnerships.
- On 19 December 2013, the Company received a court decision on registration by the District Court for the capital city of Warsaw, XII Economic Division KRS, of changes in the Company's Articles of Association made pursuant to resolution no. 4 of the Extraordinary Shareholders Meeting of 27 November 2013. The business name was changed as a result of the amendment of the Articles of Association, and from the registration onwards this business name is as follows: "Trakcja PRKiI Spółka Akcyjna".
- On 19 December 2013 the Company received a notification from ING Powszechne Towarzystwo Emerytalne S.A., operating on behalf of ING Otwarty Fundusz Emerytalny, pursuant to which as a result of selling the Company's shares in transactions on the Warsaw Stock Exchange, settled on 13 December 2013, the status of the Company's shares held by the fund decreased below 15% of votes at the Shareholders Meeting.

Events after the balance sheet date

Construction contracts:

- On 14 January 2014, Trakcja PRKiI S.A. concluded with FCC Construcción S.A. ("FCC") an annex to the Subcontracting Agreement no. U/07C/012/13 of 15 April 2013. Pursuant to the Annex, the scope of works was increased as well as the value of the object of the agreement by PLN 35 352 344.00 net up to approximately PLN 53 179 941.20 net. The works completion date was set at 21 September 2015.
- On 28 February 2014, the Management Board of Trakcja PRKiI S.A. informed that during the last 12 months the Company concluded with PKP Polskie Linie Kolejowe S.A. agreements with the total value of PLN 64 279 588.58 net. The agreement with the highest value is the contract concluded on 28 February 2014 between the Company and PKP PLK S.A. for the performance of a supplementary contract consisting in design and construction works at the Łódź Widzew railway station from km 4,100 to km 7,2000 of the railway line no. 17 within the project POIiŚ 7.1-24.2 entitled "Modernization of the railway line Warszawa – Łódź, stage II, Lot B – section Łódź Widzew-Łódź Fabryczna including Łódź Fabryczna station, and construction of the underground part of the Łódź Fabryczna railway station serving for train check-in and check-out and passenger handling." The net value of the Agreement is PLN 15 469 388.14. The object of the Agreement is the performance of design and construction works at the Łódź Widzew station from km 4,100 to km 7,2000 of the railway line no. 17. The deadline for completion of works was set as 30 September 2015.
- On 13 March 2014 the Company received an annex to the agreement no. 90/132/281/00/11000838/10/I/I of 2 November 2010 for Design and performance of construction works at the railway line Kraków – Medyka – state border at the section Podłęże – Bochnia at km 16,000 – 39,000 within the project "Modernization of the railway line E 30/C-E 30, section Kraków – Rzeszów, stage III"; the Company notified about the agreement in the current report no. 34/2010 of 3 November 2010. Pursuant to the annex, the parties changed the date of performance of the agreement to 11 February 2015. The initial performance date was 40 months from the date of commencement of works, no later however than 31 January 2014. On 14 March 2014, another annex to the aforementioned agreement was concluded, changing the total net value of the agreement to PLN 583 308 849.27.

- On 17 March 2014 Trakcja PRKiI concluded a subcontracting agreement with Pomorskie Przedsiębiorstwo Mechaniczno-Torowe Sp. z o.o. in Gdańsk for the performance of track and dewatering works within the scope of the agreement for design and modernization of the railway line Warszawa - Łódź, stage II, section Warszawa Zachodnia – Miedniewice (Skierniewice) within the project POIiŚ 7.1 – 24.1 "Modernization of the railway line Warszawa – Łódź, stage II, Lot A – section Warszawa Zachodnia - Skierniewice". The amount of remuneration was set at PLN 77 710 780.90 net. The deadline for completion of works was set at 31 December 2014.

Other important events:

- On 10 March 2013, the Company received a decision of the Regional Court in Warsaw on closure of proceedings brought by the Company's shareholder – a natural person – against the Company for declaration of invalidity of resolutions passed on 12 December 2012 at the Extraordinary Shareholders Meeting.

56. Financial statement under conditions of high inflation

Cumulated, average annual rate of inflation for the last 3 years for each of the periods covered by this financial information did not exceed the value of 100%, that is why there was no need to convert the financial statements by the prices change index.

57. Employment

Average employment in the Company was as follows:

	Financial year ended		
	31.12.2013	**31.12.2012**	**1.01.2012**
Average employement in the Company during the period:			
Management Board of Parent entity	5	5	5
Administration	145	127	118
Sales department	25	24	26
Production division	861	931	899
Other employees	15	15	14
Total	**1 051**	**1 102**	**1 062**

Employment in the Company as at December 31, 2013 was as follows:

	31.12.2013	**31.12.2012**	**1.01.2012**
Employement in the Capital Group as at 31.12.2013			
Management Board of Parent entity	6	5	6
Administration	153	133	119
Sales department	24	25	26
Production division	817	899	963
Other employees	14	14	15
Total	**1 014**	**1 076**	**1 129**

58. Company Social Benefit Fund assets and liabilities

The Law of 4 March 1994 on the company social benefit fund as amended, states that the Company Social Benefit Fund is created by manufacturers that employ over 20 employees full time. The Company creates such fund and performs periodical write off in the amount of the basic write off. Goal of the Fund is subsidize social operations of the Company, loans granted to its employees and the remaining social costs. The Company has compensated assets of the Fund with own liabilities against the Fund, because the assets do not represent separate assets of the Company.

The below table presents an analysis of assets, liabilities, costs and balances net of the compensated assets and liabilities of the Fund:

	31.12.2013	31.12.2012 Modified	1.01.2012 Modified
Loans granted to employees	1 157	1 226	1 325
Cash	513	822	405
Liabilities attributable to the Fund	1 435	1 662	1 817
Balance after compensation	**234**	**385**	**(87)**
Contributions to the fund during the financial period	**1 309**	**1 374**	**1 330**

59. Remuneration of the Auditor

The entity authorized to examine the statement of the Group and Parent company is BDO Sp. z o.o. with the seat in Warsaw ul. Postępu 12.

On 22 August 2013, the Parent company concluded a contract with BDO Sp. z o.o. to:

- Review the semi-annual unitary and consolidated financial statement made as per 30 June 2013 according to the International Accountancy Standards
- Examine the annual unitary and consolidated financial statement made as per 31 December 2013 according to the International Accountancy Standards

The amount of remuneration for the examination and review of the statements and other, is presented in the blow table.

	Financial year ended	
	31.12.2013	31.12.2012
On account of agreement for financial statement audit	110	207
On account of agreement for financial statement review	55	121
On account of tax advisory	9	-
On account of other agreements	10	38
Total	**184**	**366**

Warsaw, 21 March 2014

Roman Przybył	Marita Szustak
President of the Board	Vice-president of the Board
Stefan Dziedziul	Nerijus Eidukevičius
Vice-president of the Board	Vice-president of the Board
Tadeusz Kałdonek	Jarosław Tomaszewski
Vice-president of the Board	Vice-president of the Board

Statement prepared by:

Elżbieta Okuła

Chief Accountant

Trakcja PRKiI S.A.
ul. Złota 59, 8th floor
00-120 Warszawa

Audit Opinion and Report
on the financial statements
for the period from 1 January to 31 December 2013

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

AUDIT OPINION
for the Shareholders and Supervisory Board of
Trakcja PRKiI S.A.

We have audited the accompanying financial statements of Trakcja PRKiI S.A. with its registered office in Warsaw at ul. Złota 59, 8th floor, consisting of:

- the profit and loss account for the period from 1 January to 31 December 2013, showing a net profit of **26 220** thousand zł;
- the statement of comprehensive income for the period from 1 January to 31 December 2013, showing a comprehensive income of **31 943** thousand zł;
- the balance sheet prepared as at 31 December 2013, showing total assets and liabilities of **1 150 284** thousand zł;
- the cash flow statement for the period from 1 January to 31 December 2013, showing a net cash decrease of **15 019** thousand zł;
- the statement of changes in shareholders' equity for the period from 1 January to 31 December 2013, showing an increase in shareholders' equity of **126 541** thousand zł;
- notes to the financial statements.

The Company's Management Board is responsible for the preparation in accordance with binding regulations of the financial statements and the Directors' Report on the Company's activities.

The Company's Management Board and members of its Supervisory Board are responsible for ensuring that the financial statements and the Directors' Report meet the requirements of the Accounting Act of 29 September 1994 (2013 Journal of Laws, item 330 with subsequent amendments), hereinafter referred to as "the Accounting Act".

Our responsibility was to audit the financial statements and to express an opinion on the consistency of these financial statements with the applicable accounting policies, and on whether the financial statements give a true and fair view, in all material respects, of the Company's financial result and financial position, as well as on the accuracy of the books of account constituting the basis for their preparation.

We performed the audit in accordance with:

- Chapter 7 of the Accounting Act;
- the auditing standards issued by the National Council of Certified Auditors in Poland.

We planned and performed the audit to obtain reasonable assurance that the financial statements are free of material misstatements. In particular, our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the audited financial statements consisting of financial data and explanations:

- give a true and fair view of the financial position of Trakcja PRKiI S.A. as at 31 December 2013, as well as of its financial result for the period from 1 January to 31 December 2013;
- have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations issued in the form of regulations by the European Commission, and in issues not regulated by these standards – in accordance with the requirements of the Accounting Act and the related implementing provisions, as well as on the basis of properly kept books of account;
- are consistent with the applicable laws and regulations, and with the Company's Statute.

The Directors' Report on the Company's activities includes all information required by Article 49 of the Accounting Act and by the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2014 Journal of Laws, item 133), and the information contained therein is consistent with the information presented in the audited financial statements.

Warsaw, 21 March 2014

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Registration No. 3355

Authorized Audit Company No. 3355

Auditor in charge:

Krzysztof Maksymik
Certified Auditor No. 11380
(signed on the Polish original)

On behalf of BDO Sp. z o.o.:

André Helin, PhD
Senior Partner & CEO
Certified Auditor No. 90004
(signed on the Polish original)

Trakcja PRKiI S.A.
ul. Złota 59, 8th floor
00-120 Warszawa

Audit Report
on the financial statements
for the period from 1 January to 31 December 2013

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

TABLE OF CONTENTS

I. GENERAL INFORMATION

1. Information about the Company

1.1. Name and legal status

The Company does business as Trakcja PRKiI Spółka Akcyjna [joint-stock company]. The Company uses the abbreviated name of Trakcja PRKiI S.A.

In the reporting period the Company's name was changed from Trakcja Spółka Akcyjna based on Resolution No. 4 passed by the Extraordinary General Shareholders Meeting of 27 November 2013.

1.2. Registered office

Warszawa, ul. Złota 59, 8th floor.

1.3. Areas of activity

In accordance with the National Court Register, the Company's activities include 35 items.

In the audited period the Company's activities consisted primarily of:
- design and installation of rail, tram and trolley bus contact systems;
- construction and reconstruction of rail systems, rail stations and steering systems;
- design and installation of power lines;
- construction of bridges, overpasses, flyovers, culverts, tunnels, underground passageways, roads and the accompanying elements of rail infrastructure;
- complex "turn-key" projects (i.e. design, assembly and delivery of equipment, delivery of specialized software, assembly, startup, warranty service and maintenance) of:
  - rail, public transport and subway traction substations;
  - local and remote control of contact system disconnectors and SN alternating current line disconnectors;
  - remote control of all electric contact system equipment and auxiliary systems, such as platform lighting, electric heating of turnouts.

1.4. Legal bases for the Company's operations

Trakcja PRKiI S.A. operates on the basis of:
- the Company's Statute prepared in the form of a notarial deed on 26 January 1995 (Rep. A No. 863/95) with subsequent amendments;
- the Code of Commercial Partnerships and Companies.

1.5. Registration at Business Court

On 29 January 2002 the Company was entered in the National Court Register at the Regional Court in Warsaw - XII Business Division – in number KRS 0000084266.

1.6. Registration at Tax Office and Voivodship Statistical Office

NIP 525-000-24-39
REGON 010952900

1.7. The Company's share capital and equity

As at 31 December 2013 the Company's equity amounted to 537 603 thousand zł and consisted of:
- share capital 41 120 thousand zł,
- share premium 310 102 thousand zł,
- revaluation reserve 14 945 thousand zł,
- other reserves 145 216 thousand zł,
- undistributed profit/loss 26 220 thousand zł.

As at 31 December 2013 the Company's share capital amounted to 41 120 thousand zł and consisted of 411 196 384 shares with a nominal value of 0,10 zł per share, of the following series:

- series A 1 599 480 shares,
- series C 83 180 870 shares,
- series D 19 516 280 shares,
- series E 25 808 850 shares,
- series F 30 000 000 shares,
- series G 72 000 000 shares,
- series H 179 090 904 shares.

None of the shares are privileged.

In its Resolution No. 5 the Extraordinary General Shareholders Meeting of 12 December 2012 conditionally raised the Company's share capital by no more than 18 545 436 zł. The increase was performed by issuing no more than 185 454 360 ordinary H series bearer's shares with a nominal value of 0,10 zł per share. On 21 December 2012 the Regional Court for the capital city of Warsaw in Warsaw, XIII Business Division of the National Court Register, registered the contingent share capital increase. Once the holders of convertible D series bonds realized their rights to take up H series shares (which occurred in the first quarter of 2013), the Company's share capital was raised by 17 909 thousand zł through the issue of 179 090 904 H series shares.

The Company's shareholders as at the approval of the financial statements for publication:

Shareholder	Number of shares	Nominal value of shares in zł	% of share capital and of votes at GSM
COMSA S.A. (Spain)	118 418 237	11 841 823,7	28,80
ING OFE	60 846 729	6 084 672,9	14,80
OFE PZU	34 797 195	3 479 719,5	8,46
Other shareholders	197 134 223	19 713 422,3	47,94
	411 196 384	**41 119 638,4**	**100,00**

The share premium includes a premium on the issue of C, D and F series shares. In addition, further to the issue of G series shares a premium of 50 388 zł arose, which was reduced by the share issue costs of 4 604 thousand zł. In addition, the Company increased the "Share premium" item by the refund of CIT and VAT relating to share issue costs incurred in the years 2007-2008. In the audited period, further to the issue of H series shares, the share premium was increased by a premium of 78 289 thousand zł.

Other reserves consist primarily of accumulated profits from previous years, retained by the Company based on prior shareholder decisions.

Undistributed profit/loss includes the profit earned for the financial year ended 31 December 2013.

1.8. The Company's Management

As at 31 December 2013 the Company's Management Board comprised:

Roman Przybył	-	President of the Management Board;
Marita Szustak	-	Vice-President of the Management Board;
Stefan Dziedziul	-	Vice-President of the Management Board;
Nerijus Eidukevičius	-	Vice-President of the Management Board;
Tadeusz Kałdonek	-	Vice-President of the Management Board;
Jarosław Tomaszewski	-	Vice-President of the Management Board.

The following changes were made in the composition of the Company's Management Board in the period from 1 January 2013 to 31 December 2013:
- in its Resolution No. 2 passed on 12 June 2013 the Supervisory Board dismissed Mr. Rodrigo Pomar Lopez from the position of Vice-President of the Management Board;
- in its Resolution No. 5 passed on 28 November 2013 the Supervisory Board appointed Mr. Jarosław Tomaszewski to the position of Vice-President of the Management Board;
- in its Resolution No. 6 passed on 28 November 2013 the Supervisory Board appointed Mr. Stefan Dziedziul to the position of Vice-President of the Management Board.

The above changes have been submitted to and registered in the relevant court register.

No changes have been made in the composition of the Management Board since the balance sheet date.

1.9. Information about related parties

The Company is a holding company and prepares consolidated financial statements.

As at 31 December 2013 the Trakcja PRKiI Group comprised the following entities:
- Trakcja PRKiI S.A. – holding company,
- PRK 7 Nieruchomości Sp. z o.o. – subsidiary company,
- companies from the AB Kauno Tiltai Group – where AB Kauno Tiltai is a subsidiary of the Company and at the same time a lower level holding company,
- Torprojekt Sp. z o.o. – subsidiary company,
- Bahn Technik Wrocław Sp. z o.o. – co-subsidiary company.

AB Kauno Tiltai is a regional group that builds infrastructure in Poland, Lithuania and Latvia. The group specializes in the construction and reconstruction of roads, bridges, tunnels, railroads, ports and public infrastructure. The company AB Kauno Tiltai controls the following road construction companies: UAB Kelda, UAB Taurakelis, UAB Kedainiu automobiliu keliai, TUB konsorciumas Tiltra, UAB Pletros investicijos and the PEUiM Group, which conducts operations relating to the construction and maintenance of roads on the territory of Poland.

The activities of PRK 7 Nieruchomości Sp. z o.o. consist of real estate development. The activities of Torprojekt Sp. z o.o. consist primarily of railroad construction design.

As at 31 December 2013 Trakcja PRKiI S.A. had joint-control over Bahn Technik Wrocław Sp. z o.o., of which it holds 50%. The activities of Bahn Technik Wrocław Sp. z o.o. consist of the provision of construction services for the railway and road transport sector (mainly welding work).

The structure of the Trakcja PRKiI Group as at 31 December 2013 is presented in Note No. 2 to the audited financial statements.

Trakcja PRKiI S.A. belongs to the Spanish COMSA EMTE Group. The COMSA EMTE Group is one of Spain's leading infrastructure construction companies. It is also present on other world markets – in Europe, Africa, South America and in Australia. The Group is also active in the real estate, environmental protection, road construction, renewable energy and municipal services sectors. The consolidated financial statements of the Trakcja PRKiI S.A. Group are consolidated by the COMSA EMTE Group.

The following changes occurred in the structure of the Trakcja PRKiI Group in the audited period:
- on 25 February 2013 the subsidiary AB Kauno Tiltai formed a branch of its company on the territory of Latvia;
- on 5 April 2013 the subsidiary UAB Pletros investicijos formed the company UAB Palangos aplinkkelis with its registered office in Vilnius, of which it holds 100%;
- on 19 December 2013 the Regional Court for the capital city of Warsaw in Warsaw, XII Business Division of the National Court Register entered in the National Court Register the combination of the Company with its subsidiary Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. (details in point 5 of the General Information section of the present report);
- the Extraordinary Shareholders Meeting of PT Kruszywa Sp. z o.o. of 19 December 2013 passed a resolution to dissolve the company and to open its liquidation.

After the balance sheet date, based on a decision issued on 6 March 2014 by the Regional Court in Białystok, XII Business Division of the National Court Register, the Company's (indirect) subsidiary Producent Kostki Brukowej i Galanterii Betonowej Brux Sp. z o.o. in liquidation was deleted from the National Court Register.

2. Information about the audited financial statements

We have audited the financial statements of Trakcja PRKiI S.A. prepared for the period from 1 January to 31 December 2013, consisting of:

- the profit and loss account for the period from 1 January to 31 December 2013, showing a net profit of 26 220 thousand zł;
- the statement of comprehensive income for the period from 1 January to 31 December 2013, showing a comprehensive income of 31 943 thousand zł;
- the balance sheet prepared as at 31 December 2013, showing total assets and liabilities of 1 150 284 thousand zł;
- the cash flow statement for the period from 1 January to 31 December 2013, showing a net cash decrease of 15 019 thousand zł;
- the statement of changes in shareholders' equity for the period from 1 January to 31 December 2013, showing an increase in shareholders' equity of 126 541 thousand zł;
- notes to the financial statements.

3. Information about the entity authorized to conduct audits and the certified auditor performing the audit

The financial statements of Trakcja PRKiI S.A. for the year 2013 have been audited by BDO Sp. z o.o. with its registered office in Warsaw, ul. Postępu 12, an entity authorized to audit financial statements, registered with the National Chamber of Certified Auditors in number 3355.

The auditor was selected in Resolution No. 1 passed by the Supervisory Board of Trakcja PRKiI S.A. on 11 June 2013. The audit was conducted based on an audit agreement signed on 22 August 2013, and performed in the period from 24 February 2014 to the issue of the audit opinion (intermittently) by BDO Sp. z o.o. under the direction of Krzysztof Maksymik, Certified Auditor No. 11380. It was preceded with a review of the financial statements for the first half of 2013, as well as with an interim audit.

We hereby declare that BDO Sp. z o.o., its management, the certified auditor and team performing the audit of the above-described financial statements meet the conditions required to issue an objective and independent opinion on the audited financial statements – as provided for in Article 56 par. 3 and 4 of the Act on certified auditors and their self-government, entities authorized to audit financial statements and on public supervision (2009 Journal of Laws No. 77, item 649 with subsequent amendments).

The Company provided the auditor with access to all of the requested data and provided all the information and explanations necessary to perform the audit, as well as informed of the absence of any significant post-balance sheet events.

No limitations had been placed on the scope of the audit or on the methods selected by the auditor to perform the audit.

4. Information about the financial statements for the previous financial year

The books of account were opened based on the financial statements prepared for the period from 1 January to 31 December 2012, which had been audited by BDO Sp. z o.o. and given an unqualified opinion.

As indicated in point 5 of the General Information section of the present report, in the year 2013 a business combination occurred of the Company with its subsidiary Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A.

The financial statements of Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. for the period from 1 January to 31 December 2012 had been audited by BDO Sp. z o.o. and given an unqualified opinion.

The Company's financial statements for the period from 1 January to 31 December 2012 were approved in Resolution No. 3 passed by the Ordinary General Shareholders Meeting of 12 June 2013.

In its Resolution No. 6 the Ordinary General Shareholders Meeting of 12 June 2013 selected to cover the Company's loss for the year 2012. The loss incurred in the financial year ended 31 December 2012 shall be fully covered from the Company's profits generated in future years.

The financial statements for the year 2012 were filed with the National Court Register on 19 June 2013.

5. Other material information

The Extraordinary General Shareholders Meeting of 27 November 2013 passed Resolution No. 3 on the business combination of the Company (hereinafter referred to as "the Acquiree") with its subsidiary Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. (hereinafter referred to as "the Acquiree") in accordance with Article 492 §1 point 1 of the Code of Commercial Partnerships and Companies ("the Code"), i.e. by transferring all of the assets of the Acquiree to the Acquirer. Owing to the fact that the Acquirer already held 100% of the Acquiree, the combination was simplified in accordance with Article 516 § 6 of the Code, i.e. without raising the share capital and changing the Statute of the Company. On 19 December 2013 the Regional Court for the capital city of Warsaw in Warsaw, XII Business Division of the National Court Register, entered the business combination in the National Court Register.

The business combination was settled and recognized as at 31 December 2013 in the books of account of the Acquirer. As it had had control over the Acquiree as at the date of the combination, it was settled using the uniting of interests method, i.e. by adding up the corresponding assets and liabilities, as well as revenues and costs of the two companies as at the combination date, after first performing their valuation using the same valuation method and making the necessary eliminations. The actual business combination, in accordance with IFRS 3, took place on 30 November 2004, on the day on which the Company acquired control over the Acquiree. In effect, the status presented in the Company's financial statements with regard to the combined companies corresponds to the status presented thus far in the consolidated financial statements of the Group.

In view of the above, the comparatives in the financial statements for the year 2013 have been changed compared to those published in the Company's approved financial statements for the prior year, as required by Article 44c par. 6 of the Accounting Act.

Detailed information on the effects of the business combination is presented in Note No. 8 to the audited financial statements.

II. FINANCIAL ANALYSIS

Presented below are selected balance sheet and profit and loss account items, as well as key financial ratios, compared to analogical amounts for previous years.

1. Main balance sheet items

ASSETS	31.12.13	% of balance sheet total	31.12.12*	% of balance sheet total	1.01.12*	% of balance sheet total
Fixed assets						
Tangible fixed assets	102 643	8,9%	103 775	11,8%	95 815	8,7%
Investment properties	25 699	2,2%	11 122	1,3%	9 218	0,9%
Intangible fixed assets	59 085	5,1%	58 296	6,7%	57 111	5,3%
Investments in subordinated entities	385 297	33,5%	386 635	44,4%	389 286	35,9%
Other financial assets	8 259	0,7%	19 754	2,3%	69	0,0%
Deferred income tax assets	26 090	2,3%	17 711	2,0%	15 963	1,5%
Prepayments	881	0,2%	2 241	0,3%	2 520	0,2%
	607 954	**52,9%**	**599 534**	**68,8%**	**569 982**	**52,5%**
Current assets						
Inventory	42 191	3,7%	38 432	4,3%	35 742	3,2%
Trade and other receivables	422 746	36,8%	127 004	14,6%	308 708	28,5%
Financial assets	24 491	2,1%	7 019	0,8%	5 198	0,5%
Cash and cash equivalents	33 744	2,9%	48 763	5,6%	108 097	10,0%
Prepayments	3 841	0,3%	4 101	0,5%	5 109	0,5%
Construction contracts	15 317	1,3%	46 768	5,4%	51 918	4,8%
	542 330	**47,1%**	**272 087**	**31,2%**	**514 772**	**47,5%**
TOTAL ASSETS	**1 150 284**	**100,0%**	**871 621**	**100,0%**	**1 084 754**	**100,0%**

**) Data restated further to the Company's business combination with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. and a change in the accounting and presentation of certain financial statements items. Detailed information on the restatement of comparatives is presented in Notes 8 and 11 to the financial statements.*

Main balance sheet items, continued

LIABILITIES AND EQUITY	31.12.13	% of balance sheet total	31.12.12*	% of balance sheet total	1.01.12*	% of balance sheet total
Total equity						
Share capital	41 120	3,6%	23 211	2,7%	23 211	2,1%
Contingent share capital increase	-	-	18 545	2,1%	-	-
Unpaid share capital	-	-	(18 545)	(2,1%)	-	-
Share premium	310 102	27,0%	231 813	26,6%	231 596	21,4%
Revaluation reserve	14 945	1,3%	9 504	1,1%	11 704	1,1%
Other reserves	145 216	12,6%	204 670	23,5%	188 643	7,4%
Undistributed profit/loss	26 220	2,3%	(58 136)	(6,7%)	17 374	1,6%
	537 603	**46,8%**	**411 062**	**47,2%**	**472 528**	**43,6%**
Long-term liabilities						
Interest bearing bank credits and loans	19 260	1,7%	22 064	2,5%	21 923	2,0%
Cost provisions	1 223	0,1%	1 052	0,1%	759	0,1%
Liabilities relating to employee benefits	9 227	0,8%	8 854	1,0%	8 849	0,8%
Provision for deferred income tax	18 271	1,6%	19 565	2,2%	13 739	1,3%
Bonds	49 926	4,3%	12 913	1,5%	160 040	14,8%
Derivative financial instruments	144	0,0%	-	-	-	-
	98 051	**8,5%**	**64 448**	**7,3%**	**205 310**	**19,0%**
Short-term liabilities						
Trade and other payables	329 815	28,7%	196 502	22,5%	260 572	24,0%
Interest bearing bank credits and loans	106 683	9,3%	25 127	2,9%	77 780	7,2%
Cost provisions	11 637	1,0%	5 253	0,6%	3 232	0,3%
Liabilities relating to employee benefits	6 633	0,6%	6 030	0,7%	5 974	0,6%
Bonds	-	-	147 761	17,0%	5 695	0,4%
Accruals	6	0,0%	-	-	-	-
Construction contracts	25 138	2,2%	15 438	1,8%	53 663	4,9%
Other financial liabilities	34 718	2,9%	-	-	-	-
	514 630	**44,7%**	**396 111**	**45,5%**	**406 916**	**37,4%**
TOTAL LIABILITIES AND EQUITY	**1 150 284**	**100,0%**	**871 621**	**100,0%**	**1 084 754**	**100,0%**

**) Data restated further to the Company's business combination with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. and a change in the accounting and presentation of certain financial statements items. Detailed information on the restatement of comparatives is presented in Notes 8 and 11 to the financial statements.*

2. Main profit and loss account items

	1.01.13 - 31.12.13	% of sales revenue	1.01.12 - 31.12.12*	% of sales revenue	1.01.11 - 31.12.11**	% of sales revenue
Continuing operations						
Sales revenue	987 913	100%	793 822	100%	673 992	100%
Cost of goods sold	(945 063)	(95,7%)	(800 136)	(100,8%)	(666 164)	(98,8%)
Gross sales profit/loss	**42 850**	**4,3%**	**(6 314)**	**(0,8%)**	**7 828**	**1,2%**
Sales, marketing and distribution costs	(2 741)	(0,3%)	(2 741)	(0,3%)	(1 025)	(0,2%)
General administrative costs	(28 363)	(2,8%)	(30 291)	(3,8%)	(19 679)	(2,9%)
Profit/loss on other operating activities	16 459	1,7%	1 565	0,2%	10 751	1,6%
Operating profit/loss	**28 205**	**2,9%**	**(37 781)**	**(4,7%)**	**(2 125)**	**(0,3%)**
Profit/loss on financial activities	(11 531)	(1,2%)	(15 445)	(2,0%)	53 832	8,0%
Acquisition costs	-	-	-	-	(1 341)	(0,2%)
Gross profit/loss	**16 674**	**1,7%**	**(53 226)**	**(6,7%)**	**50 366**	**7,5%**
Income tax	9 546	1,0%	(4 910)	(0,6%)	2 568	0,4%
Net profit/loss from continuing operations	**26 220**	**2,7%**	**(58 136)**	**(7,3%)**	**52 934**	**7,9%**
Net profit/loss for the year	**26 220**	**2,7%**	**(58 136)**	**(7,3%)**	**52 934**	**7,9%**

**) Data restated further to the Company's business combination with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. and a change in the accounting and presentation of certain financial statements items. Detailed information on the restatement of comparatives is presented in Notes 8 and 11 to the financial statements.*

***) Data not fully comparable - include only the data of Trakcja S.A. and do not contain the presentation adjustments made in 2013.*

3. Key financial ratios

		1.01.13 - 31.12.13	1.01.12 - 31.12.12*	1.01.11 - 31.12.11**
Profitability ratios:				
Return on assets				
	net profit/loss for the year / total assets	2,3%	(6,7%)	4,9%
Return on equity				
	net profit/loss for the year / equity	4,9%	(14,1%)	11,2%
Net sales profitability				
	net profit/loss for the year / sales revenue	2,7%	(7,3%)	7,9%
Liquidity ratios:				
Current ratio				
	total current assets / short-term liabilities	1,1	0,7	1,3
Quick ratio				
	total current assets – inventory / short-term liabilities	1,0	0,6	1,2
Operating ratios:				
Receivable days				
	average trade receivables*** x 360 days / sales revenue	97 days	94 days	94 days
Payable days				
	average trade payables*** x 360 days / cost of goods sold	88 days	94 days	87 days
Inventory days				
	average inventory*** x 360 days / cost of goods sold	15 days	17 days	12 days
Other ratios:				
Debt rate				
	total liabilities / total assets and liabilities	53,2%	52,8%	56,4%
Book value per share in zł				
	equity / number of shares	1,31	1,77	1,84
Profit per share in zł				
	net profit/loss for the year / weighted average number of shares	0,07	(0,25)	0,25

**) Data restated further to the Company's business combination with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. and a change in the accounting and presentation of certain financial statements items. Detailed information on the restatement of comparatives is presented in Notes 8 and 11 to the financial statements.*

***) Data not fully comparable - include only the data of Trakcja S.A. and do not contain the presentation adjustments made in 2013.*

****) Average receivables, inventory and payables calculated as the mathematical averages of their opening and closing balances*

4. Remarks

As at 31 December 2013 the Company's total assets and liabilities amounted to 1 150 284 thousand zł, having increased by 32% from the previous year. The percentage of fixed assets (52,9% of the balance sheet total) is determined primarily by 385 297 thousand zł in investments in subordinated entities.

As at the balance sheet date current assets amounted to 542 330 thousand zł and were by 270 243 thousand zł higher than last year, due mainly to a rise in the value of trade and other receivables by 294 479 thousand zł, caused primarily by an increase in the value of sales, the postponement in time of a payment of receivables by the Company's main customer and an extension of the Company's operating cycle by the winter months due to favorable weather conditions.

The balance sheet date value of cash and cash equivalents (33 744 thousand zł) reflects the current stage of the performance of contracts and the related payments.

As at the balance sheet date the Company's equity amounted to 537 603 thousand zł and was by 126 541 thousand zł higher than in 2012, due mainly to the conversion of bonds into H series shares (17 909 thousand zł) and the resulting share premium (78 289 thousand zł), as well as the 26 220 thousand zł financial result for the period, which was by 84 356 thousand zł higher than last year.

Taking into account the higher amount of liabilities compared to the previous year, the role of equity as a financing source has not changed as it accounts for 46,8% of the balance sheet total as at the balance sheet date (compared to 47,2% in 2012).

As at the balance sheet date the Company's long-term liabilities reached the value of 98 051 thousand zł and were by 33 603 thousand zł higher than last year, due mainly to the reclassification of liabilities relating to bonds after their maturity dates were extended. The liabilities relating to bonds in the amount of 147 761 thousand zł, presented last year under short-term liabilities, were converted into equity and debt securities with an extended maturity date as a result of a financing restructuring transaction.

Short-term liabilities are made up primarily of trade and other payables, which increased from last year by 67,8% to the amount of 329 815 thousand zł due mainly to an increase in the value of the construction contracts performed by the Company.

In the audited period the value of the Company's debt arising out of interest bearing bank credits and loans increased by 78 752 thousand zł reaching 125 943 thousand zł as at the balance sheet date.

As a result of a rise in the value of contracts and an extension of the Company's operating cycle due to favorable weather conditions, the Company's sales revenue for the audited period reached the amount of 987 913 thousand zł, which constitutes an increase by 24,5% from the year before. At the same time, the cost of goods sold went up by 18,1% from the year 2012, as a result of which the Company generated a gross sales profit of 42 850 thousand zł, which was by 49 164 thousand zł higher than last year. The gross sales margin has gone up to 4,3% from the negative margin of -0,8% last year.

The negative effective tax rate of -57% is a result of the Company's reversal in the audited period of a deferred tax asset write down, as well as the formation of an asset on tax losses incurred in prior years.

Taking the above into account, the Company's net profit on continuing operations reached the amount of 26 220 thousand zł, which constitutes a rise by 84 356 thousand zł from the previous year.

Following the generation of a financial profit, all of the profitability ratios were higher in the audited period than the year before. The return on assets ratio amounted to 2,3% (compared to -6,7% in 2012). Net sales profitability went up by 10 percentage points to 2,7%.

Due to an increase in current assets and the restructuring of financing, the Company's liquidity has improved considerably. The current ratio has increased to 1,1 (2012: 0,7). The quick ratio, due to low inventory, is similar, i.e. 1,0 in the audited period and 0,6 last year.

The receivable days ratio has gone up slightly to 97 days (2012: 94 days), the payable days ratio amounts to 88 days (2012: 94 days).

In the course of the audit we found no indications that as a result of discontinuing or significantly limiting its operations the Company will not be able to continue as a going concern in at least the next reporting period.

III. DETAILED INFORMATION

1. Assessment of the Company's accounting and internal control systems

The Company has documentation describing its accounting methods, as set forth in Article 10 of the Accounting Act. The methods used by the Company to value assets and liabilities and determine the financial result are consistent with the European Union approved version of International Accounting Standards.

The books of account are kept at the Company's registered office using the IMPULS program manufactured by BPSC S.A.

In the course of our audit we found no misstatements in the books of account, which could have a significant effect on the audited financial statements. This is true of the documents describing the Company's accounting methods (policies), the truth, fairness, completeness and clarity of the documentation of financial transactions, as well as their proper classification in the books of account, accuracy in the opening of the books of account, completeness and accuracy of the accounting entries and their consistency with the corresponding source documents and financial statements.

The procedures adopted by the Company generally ensure proper protection of its data and data processing system. The Company's accounting documents, books of account and financial statements are generally stored in accordance with the requirements of Article 71 of the Accounting Act.

The Company's inventory count of its assets and liabilities, conducted in accordance with the scope, due date and frequency requirements of the Accounting Act, was performed correctly, and the resulting differences have been settled in the books of account of the audited period.

The Company's internal control system was audited to the extent, to which it relates to the financial statements, and not to obtain assurance on the accuracy of the Company's internal control system. Our review of the Company's internal controls might not have uncovered all of the system's significant weaknesses.

2. Additional information

Additional information on the Company's accounting policies and other information and explanations have been prepared completely and correctly, in accordance with the requirements of IFRS, and in matters not regulated by these standards – in accordance with the requirements of the Accounting Act.

3. Statement of changes in shareholders' equity

The data shown in the statement of changes in shareholders' equity are consistent with the balance sheet and the books of account, and show truly and fairly the changes made in the Company's equity.

4. Cash flow statement

The cash flow statement has been prepared in accordance with IAS 7, using the indirect method, and is consistent with the balance sheet, the profit and loss account and the books of account.

5. Directors' Report

The Directors' Report on the Company's activities includes all information required by Article 49 of the Accounting Act and by the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2014 Journal of Laws, item 133), and the information contained therein is consistent with the information presented in the audited financial statements.

6. Management's Declaration

The Company's Management submitted a written declaration about the completeness of the books of account, disclosure of all contingent liabilities and absence of any significant post-balance sheet events.

Warsaw, 21 March 2014

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Registration No. 3355

Authorized Audit Company No. 3355

Auditor in charge:

Krzysztof Maksymik
Certified Auditor No. 11380
(signed on the Polish original)

On behalf of BDO Sp. z o.o.:

André Helin, PhD
Senior Partner & CEO
Certified Auditor No. 90004
(signed on the Polish original)