TRAKCJA PRKiI S.A.

ANNUAL REPORT

OF TRAKCJA PRKiI S.A.

FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2015

published pursuant to Article 82.1.3 of the Regulation of the Minister of Finance dated February 19, 2009 on the current and periodic disclosures to be made by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2014, item 133).

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

Warsaw, on March 21, 2016

Content of the Annual Report:

Dear All,

On behalf of the Management Board of Trakcja PRKiI S.A. I have the honour to present to our Shareholders, Clients and Business Partners the Annual Report of the year 2015. Thanking for the cooperation and trust, I invite you to become acquainted with the results achieved by Trakcja Group and Trakcja PRKiI S.A. and with the most important events of the past financial year. At the same time I would like to thank all our Employees who – during this important period – took new challenges and contributed to achievement of such good results.

In 2015 many companies that operate in the public investments market registered decreased revenues. This resulted from the transition between the ending and the new EU financial prespective whose main features were small number of signed contracts and decline in investment outlays. This phenomenon of business cycle nature though influenced to some extent Trakcja Group, did not have a negative impact on our profitability, which we improved in comparison with the previous year. Our good results come from the systematic work of the whole Team oriented for continuous improvement of efficiency, cost monitoring and optimization (in particular in the area of contract execution) and from the permanent cooperation with our Clients.

The major achievement in 2015 was however the consolidation of our market position thanks to the new bidding strategy that was prepared and implemented in the middle of the year. Its effects were a significant backlog increase and signing the new contracts for the value of more than PLN 1.8bn. We have strengthened thus as a railway construction leader but at the same time we made a successful expansion to the road construction market. We have also dynamically entered the new EU financial perspective by submitting many bids in the railway and road tenders. Our long-term liabilities were significantly reduced. Consequently, it brought further improvement of Trakcja Group's financial standing and increase of credit and guarantee capacity that enables participation in new tenders. We have continued the restructuring processes, especially in the area of administration. We have prepared the new organization of the contract execution area by promoting a new and well preprared group of our employees who have deep knowledge of the company and the market and are determined to master their skills. As a reknown and appreciated Employer we keep recruiting new employees in line with our needs related with new contract execution.

Our activities were highly appreciated by our Shareholders and financial institutions that positively assessed growth possibilities of our Company – the Company's share price throughout 2015 increased by 66%.

The infrastructure construction sector in Poland is facing unprecedented challenge – to carry out the plan of construction or modernization of roads and railways for the value of ca. PLN 200bn in the next 7-8 years. It is a big opportunity for Trakcja Group which we are going to take. Since the financial institutions trust us, we have managed to build sufficiently high credit and guarantee potential that is necessary to compete for new contracts and their efficient execution. We keep constructing and re-consstruction our own execution potential and enter into agreements with trustworthy and reliable business partners to be able to offer to the market competitive bids. As an experienced in the construction sector and well prepared entity we take new challenges with courage.

I encourage you to get acquainted with the Trakcja Group's Annual Report of 2015.

With kind regards,

Jarosław Tomaszewski

President of the Management Board

Trakcja PRKiI S.A.

TRAKCJA PRKiI S.A.

MANAGEMENT REPORT

ON THE ACTIVITIES OF TRAKCJA PRKiI S.A.

IN 2015

This Report on the Activities of Trakcja PRKiI S.A. in 2015 was prepared pursuant to Article 91 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information to be published by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent (Journal of Laws 2014, item 133).

CONTENTS

Figures provided in this Report on the Activities of Trakcja PRKiI S.A. are presented in thousand Polish zloty, unless explicitly stated otherwise. Financial information contained in this report come from the financial statement prepared in accordance with the International Financial Reporting Standards ("IFRSs") approved by the European Union, published and applicable as at December 31, 2015. We would also like to emphasize forward-looking statements (e.g. may, will, expect, assess, estimate), because they are based on certain assumptions and are subject to risk and uncertainty. Therefore, the Company is not liable for such information.

1. ORGANIZATION OF TRAKCJA COMPANY

1.1. General Information about the Company

Trakcja PRKiI S.A. ("Company", "Issuer", “Trakcja PRKiI”) is one of the leading entities on the Polish market of rail and tram infrastructure construction.

The main subject of the Company’s activity is comprehensive performance of works relating to a widely understood rail infrastructure with the use of a modern fleet of machines. The Company specializes in providing engineering/construction services in the following scope: design, construction and modernization of rail and tram lines, rail and tram electro-traction network, power generation lines, as well as construction of bridges, viaducts, piers, overpasses, tunnels, underpasses, retaining walls, roads and accompanying elements of rail and road infrastructure. In addition, Trakcja PRKiI may perform general construction works in the scope of preparing the building site, constructing and modernizing buildings, as well as building installations and finishing works. Our services also include the construction of power systems and remote control systems. For over seventy years, the Company has been implementing complete power installations of medium as well as high voltage, both in new and modernised and also renovated railway power facilities.

Trakcja PRKiI modernised several thousand kilometres of railway lines and provided power to over 10,000 kilometres of railway lines. The Company modernised over 450 traction substations and 380 track section cabins.

The Company has concession to trade liquid fuel, license for rail transportation services for an idefinite time and license for rental of traction vehicles for an idefinite time.

The main attribute of the Company is the possibility of comprehensive execution of investment projects with use of own potential in all sectors (track works, engineering facilities, traction network), possessed order backlog and:

- highly qualified management and client-oriented team;
- significant experience in professional performance and coordination of works executed in a timely manner according to highest European standards;
- possessing a modern fleet of machines.

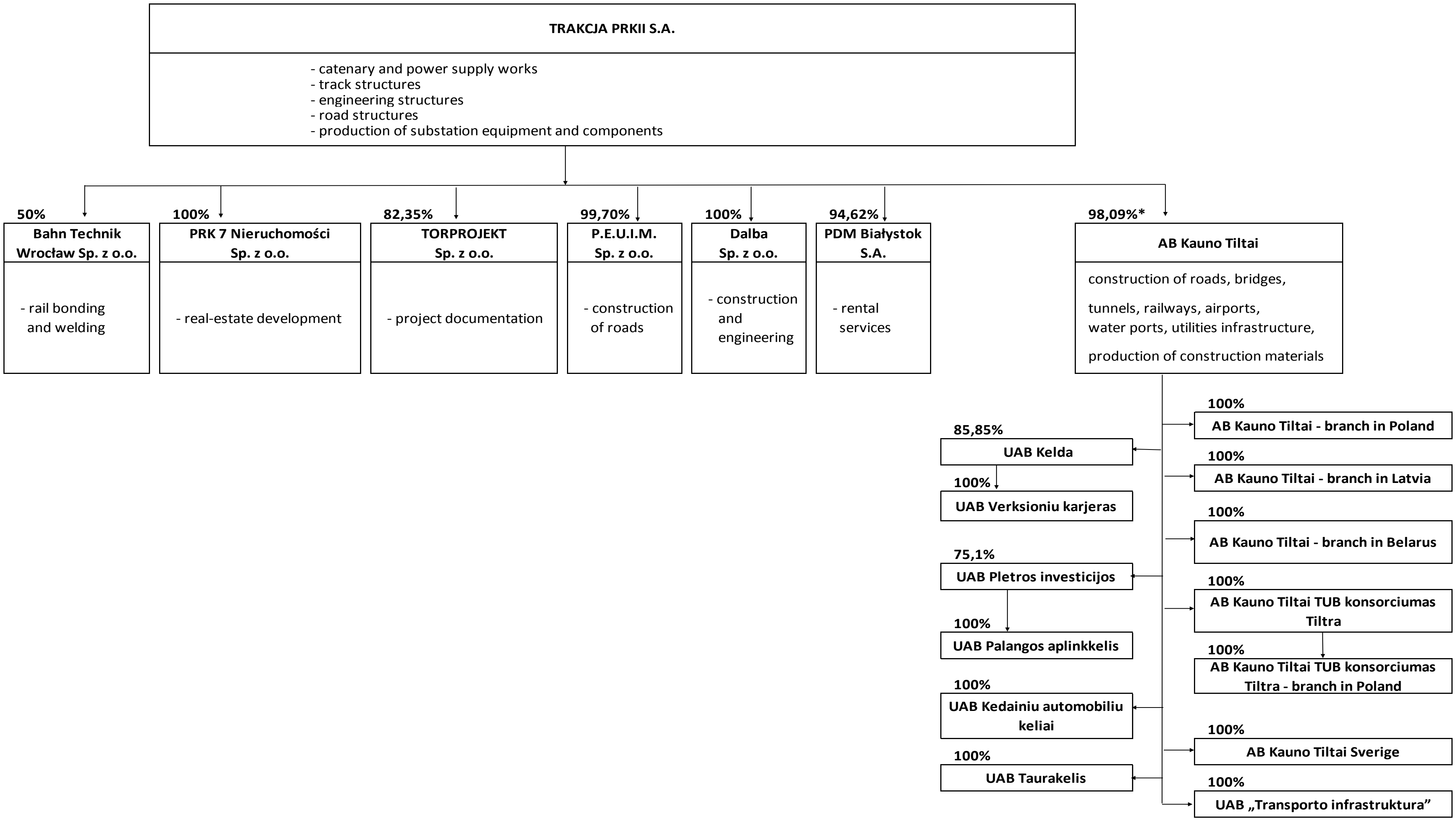
The Company has substantial competitive advantage over other companies, and the Company’s position on the market of services related with the rail infrastructure is grounded and stable.

The long-term market practice allowed the Company to develop techniques for managing projects, which allow it to complete projects within the agreed schedules and simultaneously maintain the required quality and meet special requirements of the investors.

Most of the projects implemented by the Company is financed, inter alia, with the funds granted by the European Union and the Polish government for the implementation of which it is required to apply the European procedures, which additionally positively influences the quality of the services provided and products manufactured by the Company.

1.2. Structure of the Company

Trakcja PRKiI is the Parent Company of Trakcja Group. The capital structure of Trakcja Group as of December 31, 2015 is presented in the diagram below.



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

Changes in the structure of Trakcja Group

In the period from January 1, 2015 to December 31, 2015 the change in the structure of Trakcja Group took place.

On July 14, 2015 the subsidiary AB Kauno Tiltai opened its branch in Belarus.

On December 3, 2015 Trakcja PRKiI acquired for the total amount PLN 10,253,606:

- from subsidiary AB Kauno Tiltai TUB Konsorciumas "Tiltra" of 415 shares in the share capital of the PEUiM company (belonging to Trakcja Group) of nominal value PLN 835 each for the total nominal value of PLN 346,525;
- from subsidiary UAB Taurakelis of 100% shares, that is 2,210 shares in the share capital of Dalba company (belonging to Trakcja Group) of nominal value PLN 500 each for the total nominal value of PLN 1,105,000;
- from subsidiary UAB Taurakelis of 7,380,000 ordinary registered shares series A and 53,000 ordinary registered shares series B in the share capital of the PDM Białystok company (belonging to Trakcja Group) of nominal value PLN 1 each for the total nominal value of PLN 7,433,000.

The above transactions were concluded within Trakcja Group (the parties were subsidiaries of which Trakcja PRKiI S.A. has control) and did not have impact on the consolidated financial statements of Trakcja Group. Thanks to the transactions performed Trakcja PRKiI S.A. became a direct owner of the companies with seat in Białystok: PEUiM, Dalba and PDM Baiłystok that operate in road construction and modernization business (earlier Trakcja PRKiI S.A. had indirect control over them via Lithuanian subsidiary AB Kauno Tiltai).

1.3. Employment in the Company

Average employment in the Company in the reporting period:

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Average employment in the Company during the period:		
Management Board of Parent entity	5	5
Administration	130	142
Sales department	5	4
Production division	827	851
Other employees	5	11
Total	**972**	**1 013**

	31.12.2015	31.12.2014
	Audited	Audited
Employment in the Company		
Management Board of Parent entity	5	5
Administration	123	139
Sales department	5	4
Production division	822	853
Other employees	2	11
Total	**957**	**1 012**

1.4. Changes in the basic principles of managing the Company

2015 was a year of continued integration of departments and sections that were created after merger of Trakcja and PRKiI.

It is also valid in the case of the Integrated Management System, ruling in the Company which includes:

- ISO 9001:2008 Quality Management System;

- ISO 14001:2005 Environmental Management System;
- BS OHSAS 18001:2007 OHS Management System.

In 2015 the management systems were improved and changes in the law regulations - concerning protection of the environment and occupational health and safety - were implemented. The corrections in the documentation of the systems were made and more effort put to control and supervise the construction works. At the turn of June and July 2015 the renewing audit of the Integrated Management System, performed by the TUV SUD auditors, was performed. The result of the audit was positive. The Company received the certificate confirming that the three above mentioned systems function in the Company properly. This certificate is valid until 2018.

2. ACTIVITY OF TRAKCJA PRKiI S.A.

2.1. Basic products, goods and services

Modernisation of railway lines executed within Trakcja PRKiI's activities includes:

- Development and agreement of concepts for all industries, preparation of the project construction documentation, detailed design documentation with obtaining of all permits and permissions and also the preparation of the as-built documentation,
- replacement of railway track substructure and superstructure by using the mechanized substructure and track machinery, including the construction of the drainage system;
- disassembly of the traction network, including removal of old foundations and construction of a new traction network with the use of modern methods for positioning foundations by applying the piling method and with the use of trains for stream replacement of the network,
- renovation or complete alteration of civil engineering facilities: culverts, bridges, viaducts,
- construction of power supply systems for railway lines,
- comprehensive modernisation of railway crossings (crossings of roads with railway lines),
- alteration of the railway traffic control system,
- preparation of construction sites,
- construction of complete buildings or their parts,
- execution of construction installations, civil engineering works for tracks and roads,
- construction of overhead and underground power distribution lines,
- construction of railway and tram electric traction network and hydraulic engineering.

The Company provides also services of construction of bridges, viaducts, overpasses, tunnels, underpasses, roads and related elements of railway and road infrastructure.

Moreover, where necessary, the Company cooperates with specialized companies mainly in the area of works related to the protection of railway traffic and telecommunications.

Within the framework of supplementary activities, the Company produces different types of industrial devices used for modernisation of rail infrastructure, including: 15 kV traction and mobile switchgear centres, 3 kV, 1.5 kV, 1 kV, 0.8 kV direct current switchgear centres, control cabinets, local and remote control devices, network isolating switches, steel constructions for the installation of substations and energy sector, selected traction network equipment.

The order backlog of construction contracts of Trakcja PRKiI as at December 31, 2015 amounted to PLN 1,214 million (without part of revenues assigned to consortium partners). In 2015, Trakcja PRKiI companies signed construction contracts with the total value of PLN 1,185 million (with value of works assigned to consortium partners). The current order backlog of the Company as at December 31, 2015 ensures full use of the production capacity in the next financial year. Participation in new tenders in 2016 will allow the Company to secure even more its portfolio of contracts for future periods.

The largest contracts executed by the Company during 2015 are presented in the table below:

No.	Name of contract	Value of contract (mPLN)
1.	Modernization of the railway line No. 9, section Warszawa - Gdynia, area of LCS Iława, LCS Malbork	869
2.	Modernization of the E65/C-E65 railway line, section Warszawa – Gdynia, area of LCS Działdowo	757
3.	Modernization of the E 30/C-30 railway line, section Kraków-Rzeszów, stage III (Podłęże - Bochnia)	627
4.	Modernization of the E59 railway line Wrocław – Poznań, stage II - section Wrocław – border of dolnośląskie voivodeship	530
5.	Modernization of the E30/C-E30 railway line, section Kraków - Rzeszów, stage III (Dębica - Sędziszów Małopolski)	417
6.	Development of execution projects and execution of works for LCS Warszawa Okęcie (railway line No. 8, section Warszawa Okęcie - Radom (LOT A, B, F))	357
7.	Modernization of the railway line Warszawa - Łódź, stage II, LOT B - section Łódź Widzew - Łódź Fabryczna	336

2.2. Sales structure

The sales structure by type of works, production, and other activity is presented in the table below:

(data in ths. PLN)

	2015		2014	
	value	%	value	%
Railway works	694 719	91,0%	905 902	93,8%
Road works	20 129	2,6%	4 301	0,4%
Bridge works	478	0,1%	-	0,0%
Tramway works	26 625	3,5%	-	0,0%
Production	6 895	0,9%	12 830	1,3%
Other areas of activity	14 553	1,9%	43 051	4,5%
Total revenues from sales	**763 399**	**100,0%**	**966 084**	**100,0%**

2.3. Markets and sourcing

The sale of the Company's products in 2015 was carried out on the Polish market.

The Company's main client is PKP Polskie Linie Kolejowe S.A. ("PKP PLK S.A."); other clients include, among others, Warszawska Kolej Dojazdowa Sp. z o.o. and Przedsiębiorstwo Robót Mostowych "Mosty-Łódź" S.A.

The structure of clients indicates that Trakcja PRKiI is strongly dependent from PKP PLK S.A., which held about 85.2% share in the Issuer's revenues on sales in 2015. Since the establishment of Trakcja PRKiI, it has been the major client. PKP PLK S.A. is not formally related to the Issuer. The second largest client had a share of about 2.1% in the revenue structure in the same year.

The structure of suppliers during the analysed period indicates that our Company is not dependant on any of the contractors. In 2015, there was a situation when the share of one supplier exceeded level of 10% of the value of purchases of materials and services of the Issuer. The most important suppliers of the Issuer had respectively share of 27.9% and 7.9% in the purchases of materials and services of the Company.

The Company plans to open its branch in Bulgaria (Sofia). The Company assesses the Balkan market as perspective one, therefore submitted bids for execution of 2 tasks relating to the modernization of railway infrastructure.

2.4. Significant events and actions of Trakcja PRKiI that have significant impact on the activities

The major impact on the financial results achieved in 2015 and next years have long-term construction contracts that are executed by the Company. Major contracts executed in 2015 were presented in section 2.1 of this report. Major construction contracts signed in 2015 were presented in section 2.5 of this report. Significant events that took place after the balance sheet date were presented in Note 5.7 of this report.

2.5. Sgnificant contracts

2.5.1. Significant contracts for construction services

Key contracts for construction services concluded by Trakcja PRKiI in 2015 (value of contract includes value of works assigned to consortium partners):

No.	Place of contract	Name of contract	Value contract (mln PLN)	Work types
1.	Warszawa Okęcie - Radom	Development of execution projects and execution of works on a railway line	376	rail works
2.	Nowe Marzy - Bydgoszcz	Design and construction of S-5 expressway, section Szubin - Jaroszewo	286	road works
3.	Czempiń - Poznań	Continuation of modernization works on E59 railway line	173	rail works
4.	Nowe Marzy - Bydgoszcz	Design and construction of S-5 expressway, section Aleksandrowo - Tryszczyn	154	road works
5.	PKP Warszawa Gdańska	The modernization of the line No. 20 within the railway station Warszawa Gdanska in conjunction with the line E 65 and the underground station	43	rail works
6.	Łódź Fabryczna	Design and construction of telecommunication engineering devices and IT systems	35	rail works
7.	Czempiń – Poznań	Construction of engineering facilities - object A and C, overpass	39	road works
8.	Oleśnica - Wrocław Psie Pole	Renovation of tracks	18	rail works
9.	Other	Other contracts	61	different
		Total	**1 185**	

2.5.2. Insurance contracts

The Company has standard insurance policies that cover with the insurance protection movable property in the event of damage, as well a civil liability insurance towards third parties in connection with conducted business activity and possessed property, as well as insurance contracts of construction risks. Moreover, the Company has standard insurance policies covering civil liability of the members of the bodies of the Company.

Above mentioned insurance contracts were concluded with the following insurers: Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A., STU Na Życie Ergo Hestia S.A, Allianz S.A., PZU S.A.

Insurance contracts covering civil liability of the members of the Management Board of the Company were concluded with AIG Europe Limited Sp. z o.o. oddział w Polsce and TUiR Allianz Polska S.A.

2.5.3. Agreements of collaboration and cooperation

The Company has framework collaboration and cooperation agreements concerning the financial market transactions concluded with entities of mBank, Alior Bank S.A. and bank PEKAO S.A. The subject of these agreements determines the rules of cooperation concerning entering into financial market transactions of the Company with the bank. Trakcja PRKiI has the recourse factoring agreement for the indefinite time concluded with mFaktoring S.A.

2.6. Major deposits and capital investments

2.6.1. Investments of material nature

Investment outlays in the Company in 2015 amounted to PLN 21,300 thousand.

The Company made the following investments:

	Acquisition for cash	Leasing	Total
Development investments	7 994	1 009	**9 003**
Replacement investments	1 663	5 831	**7 495**
Modernization investments	407	4 395	**4 802**
Total	**10 064**	**11 236**	**21 300**

The major development investments were expenditures for the new transportation and equipment base in Bieńkowice and purchase of means of transport (of which cars). Additionally, the Company finished implementation of the IT system MS Dynamics AX (ERP-class system).

The major replacement consisted of substitution of machine fleet (excavators, bulldozers and specialist train) and car fleet.

The major modernization investments were upgrading the SM-42 locomotive with its network (catenary) cars. These expenditures were financed through leaseback.

The Company plans in 2016 to make investments of PLN 46,480 thousand. They will be financed through:

Cash	4 274
Financial leasing	32 930
Credits and loans	9 276
Total	**46 480**

To the date of publication of this report the Company signed new finance lease contracts. In the Management Board's opinion the Company is able to carry out present and future investment assumptions on the basis of own means generated by operating activity and finance lease transactions.

2.6.2. Capital investments of the Company, including capital investments outside the Company, and description of financing method

In 2015, the Company did not execute any capital investments.

In 2015, a branch in Belarus of the Company's indirect subsidiary AB Kauno Tiltai was established.

On December 3, 2015 Trakcja PRKiI acquired for the total amount PLN 10,253,606:

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The above transactions were concluded within Trakcja Group (the parties were subsidiaries of which Trakcja PRKiI S.A. has control) and did not have impact on the consolidated financial statements of Trakcja Group. Thanks to the transactions performed Trakcja PRKiI S.A. became a direct owner of the companies with seat in Białystok: PEUiM, Dalba and PDM Baiłystok that operate in road construction and modernization business (earlier Trakcja PRKiI S.A. had indirect control over them via Lithuanian subsidiary AB Kauno Tiltai).

Detailed information on new companies was described in section 1.2 of this report.

2.7. Strategy and directions of the Company's development

Each year the Company tends to increase its scale of operations, financial power and contract execution potential, thus becoming the leader of the Polish market of construction and installation services.

In 2016 the Management Board of Trakcja PRKiI plans to continue activities aiming at further improvement of the Company's results, driven by the following strategic premises:

- the Company will develop through organic growth;
- increasing effectiveness and efficiency through a better organization of works, better use of synergy, and incentive systems;
- improvement of the management of cash flow and decreasing the balance of debt;
- more extensive use of own resources during contract execution;
- selective choice of contracts for execution within the consortium formula.

Strengthening the leader's position in the Polish market of construction and installation services for railways
The Management Board of Trakcja PRKiI S.A. plans in 2016 and next years to focus its efforts on the Polish railway construction and installation services market to strengthen the 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 thanks to creation of new organizational units like Section of Preparation of Production and Optimization of Projects.

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

Strengthening of the Company's market position in other markets
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 Company plans to open its branch in Bulgaria (Sofia). The Company assesses the Balkan market as perspective one, therefore submitted bids for execution of 2 tasks relating to the modernization of railway infrastructure.

2.8. Development perspectives for the Company

The Management Board positively evaluates the growth perspectives for the Company in 2016 and in next years. The construction order backlog as at December 31, 2015 amounted to PLN 1,214 billion.

The planned investment outlays (the EU funds and the Polish contribution) on the market of railway-related construction and assembly services will amount till 2023 to approximately PLN 67.5 billion (source: "National Railway Construction Program till 2023", approved by the Resolution no. 162/2015 of the Council of Ministers dated 15 September 2015) while the planned investment outlays for national roads in 2014-2023 will amount to ca. PLN 146.7 billion (source: “Program of Construction of National Roads for years 2014-2023 <with perspective to 2025>” – this amount does not include financing for year 2024 and 2025).

2.9. Description of external and internal factors significant for the Company's development

Key factors, which in the opinion of the Management Board of the Parent Company have or will have in the nearest future impact on the Company's activities, are presented below. Information on significant proceedings and disputes against the Company as well as penalties is presented in Section 5.6 of this report.

The most important external factors substantially affecting the Company's financial results include:

- The level of expenses on rail and road infrastructure in Poland.
- Competition of other entities.
- Formation of prices of raw materials and construction materials.
- Formation of currency exchange rates, in particular the Euro rate.
- Influence of the Central Bank's monetary policy on the change of interest rate on credits.
- Timeliness in repayment of liabilities by recipients.
- Changes in law regulations establishing the scope of the Company's activity, including tax regulations as well as provisions on other public charges.

The most important internal factors substantially affecting the Company's financial results include:

- The accuracy of estimating the costs of implemented projects that has direct impact on decisions regarding the strategy of participating in tenders, the valuation of contracts for tenders and consequently on the contract margins generated.
- Ability to acquire new construction contracts.
- Ability to execute the Company's development strategy.

2.10. Description of risk factors and threats with determination of the Issuer’s exposure to them

Within the scope of the conducted activity, Trakcja PRKiI is exposed to various types of risks, which may be grouped into:

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

Industry risk

Exposure of the Company to this risk results from the ever intensive competition. The market of railway construction where the Company operates is attractive due to the significant planned investment outlays. Since the high entry barriers to the market of rail construction in Poland are not high, the number of new entities is increasing. Moreover, a significant factor affecting the market position of Trakcja PRKiI are the financial plans of the Polish government concerning the modernization of infrastructure.

This industry risk may have substantial influence on the Company's development perspectives and its financial situation. A competitive advantage of Trakcja PRKiI is its more than seventy-year market experience, which allowed to develop high-quality systems of executing contracts, highly appreciated by Partners. The main attribute of the Company is the possibility of comprehensive performance of investments by using own potential in all sectors (tracks works, engineering facilities, traction network), possessed contract order backlog, and:

- Own highly qualified management and client-oriented team;
- Significant experience in professional execution and coordination of works executed in a timely manner according to the highest European standards;
- Own modern fleet of machines.

The Company has substantial competitive advantage over other companies, and the Company's position on the market of services relating to the rail infrastructure is grounded and stable. The above mentioned strengths of Trakcja PRKiI minimize the risk relating to the increased competition.

Contract execution risk

An inherent risk of Trakcja PRKiI operations is the contract execution risk. This risk may be affected mainly by the following factors: failure to obtain in due time the administrative decisions provided for, among others, in the provisions of the Building Law, the Administrative Procedure Code and the Environmental Protection Law; changes in prices of materials and raw materials; changes in subcontracting services; subcontractors' failure to complete, or delays in completion of works essential to commence project execution; underestimation of costs; potential penalties for infringements in contracts and unfavourable weather conditions. The risk of underestimating contract costs may occur in case of works, which are difficult to identify at the stage of preparing the Company's bid and essential to perform the contract, and the price for the works. Within the scope of performing construction contracts, Trakcja PRKiI concludes agreements with subcontractors usually later than the agreement with the investor, which may cause a risk that the adopted price of the service provided for the Company by subcontractors will be higher than the price adopted at the stage of contract valuation and signing. Prices stated in contracts with investors are fixed and cannot be changed during the term of the contract. Trakcja PRKiI incurs the risk of a failure to meet the deadlines for the performance of the subject of concluded construction contracts, as well as of performance of guarantee works relating to removal of defects and faults, which, in consequence, is related with the right of the investor to take advantage of the above mentioned collateral or to claim the contractual penalties. The Company cannot exclude also a risk relating to possible disputes concerning improper or untimely performance of contracts. Materialization of the above mentioned factors may adversely affect the Company's financial results.

The Management Board of the Company undertakes relevant actions aiming at minimizing these risks e.g. through implementation of a modern contract management system, which allows managing budgets and schedules of many large projects executed at the same time, based on detailed unit data registered in real time. In addition, the Company continuously monitors the prices of services provided by subcontractors and ensures that signed contracts have proper parameters concerning the term of the contract and the value of the contract adjusted to the market situation. Thanks to the initiative of implementing the system of central procurement for all realized projects and all organizational units of the infrastructure, the Company intends to achieve substantial and permanent cost savings and optimize purchases. Moreover, the long-term market practice allowed Trakcja PRKiI to develop techniques for managing projects, which allow the Company to complete projects entrusted to the Company within the agreed schedules and simultaneously maintain the required quality and meet special requirements of the investors.

Financial risk

In terms of financial risk, the Company is mainly exposed to a risk relating to financial contracts and a risk relating to liquidity. The risk relating to financial contracts results from the fact that both banks (in terms of credits and contract guarantees) as well as insurance companies (in terms of contract guarantees) may restrict the availability of sources of financing and other financial instruments, which may limit execution of contracts. In 2015, Trakcja PRKiI significantly expanded the possibilities of obtaining sources of financing, both in terms of credits and loans as well as guarantee products. The Company monitors the capital structure using the financing structure ratios. The ratios analysed by the Company allow maintaining both good credit rating and confirm that capital structure supports the operating activities of Trakcja PRKiI.

A significant factor in assessing the risk of insolvency is the generated level of operating cash flows, volume of cash, and the liquidity ratios. The Company monitors the balance of available cash, and maintains a safe level of both external financing and financial liquidity. Any periodic cash surpluses are invested in the short-term bank deposits. To avoid potential threats in the future and to minimize the risk relating to a loss of the Company's liquidity, long-term and short-term analyses and forecasts are developed. They allow to determine the Company's cash requirements. Thanks to these activities, inflows and expenses can be planned in advance and the optimum level of cash can be defined along with the manner of financing future expenditures.

Other factors - apart from the above-mentioned that may cause fluctuations of Trakcja PRKiI share price - include:

- Change of the rating of the Company's creditworthiness,

- Change in the level of the Company's debt,
- Sale or purchase of assets by the Company,
- Significant changes in the Issuer's ownership structure,
- Changes in capital market analysts' forecasts and recommendations regarding Trakcja PRKiI, its competitors, partners and sectors of economy, in which the Company operates.

Combating the materialization of all these risks constitute the basic goal of activity of the Issuer's Management Board, which conducts discussions with ordering parties, consortium partners and subcontractors, banks and insurers. These risks are managed at the highest Company's management level.

3. ANALYSIS OF TRAKCJA PRKiI'S MATERIAL AND FINANCIAL SITUATION

3.1. Company's financial performance in 2015

3.1.1. Discussion of profit and loss account

PROFIT & LOSS ACCOUNT	1.01.2015 - 31.12.2015 Audited	1.01.2014 - 31.12.2014 Audited	Change	Change %
Sales revenues	763 399	966 084	(202 685)	-21%
Cost of goods sold	(700 208)	(866 472)	166 264	-19%
Gross profit on sales	**63 191**	**99 612**	**(36 421)**	**-37%**
Cost of sales, marketing and distribution	(1 718)	(717)	(1 001)	140%
General and administrative costs	(33 332)	(32 635)	(697)	2%
Other operating revenues	3 622	853	2 769	325%
Other operating costs	(1 669)	(10 113)	8 444	-83%
Operating profit	**30 094**	**57 000**	**(26 906)**	**-47%**
Financial revenues	18 650	16 592	2 058	12%
Financial costs	(7 106)	(14 328)	7 222	-50%
Gross profit	**41 638**	**59 264**	**(17 626)**	**-30%**
Income tax	(6 477)	(9 467)	2 990	-32%
Net profit for the period	**35 161**	**49 797**	**(14 636)**	**-29%**

In 2015 Trakcja PRKiI generated revenues of PLN 763,399 thousand, which decreased by 21% in comparison to the previous year. The cost of goods sold in the discussed period decreased by 19% and amounted to PLN 700,208 thousand. Gross profit on sale margin of the Company in the discussed period amounted to 8.3% while in the same period of 2014 was of 10.3%. The reason of higher gross profit on sale margin in 2014 was the positive effect of LCS Działdowo contract settlement in the amount of PLN 8.2bn. Gross profit on sales in 2015 reached the value of PLN 63,191 thousand.
The overheads increased in 2015 by PLN 697 thousand (or by 2%) in comparison with the previous year. The costs of sale, marketing and distribution reached the value of PLN 1,718 thousand.

The balance of other operating activity in 2015 improved by PLN 11,213 thousand in relation to the comparable period. The difference resulted mainly from recognition in 2014 of assessment of costs from fair value of investment property in the amount of PLN 8,097 thousand.

The profit from operating activity amounted in 2015 to PLN 30,094 thousand while in the previous year it was of PLN 57,000 thousand.

The Company's financial revenues in 12 months of 2015 reached PLN 18,650 thousand and increased by 12% in comparison with the analogous period of the previous year. The financial costs in the discussed period dropped by half, that is by PLN 7,222 thousand, due to decrease of the financial costs of interest that was caused by the smaller demand for external sources of financing. The Company as at December 31, 2015 reduced its debt nearly by half in comparison with December 31, 2014.
In the discussed period, the Company generated gross profit in the amount of PLN 41,638 while in the previous year the gross profit was of PLN 59,264 thousand.
The Company ended the year 2015 with net profit in the amount of PLN 35,161 thousand and with net profit margin of 4.6% (in 2014 net profit margin amounted to 5.2%).

3.1.2. Discussion of balance sheet items

The table below presents the main balance sheet items as at December 31, 2015 compared to their state as at December 31, 2014:

ASSETS	31.12.2015 Audited	31.12.2014 Audited	Change	Change %
Non-current assets	**632 789**	**603 625**	**29 164**	**4,8%**
Tangible non-current assets	117 408	113 429	3 979	4%
Intangible assets	55 567	59 205	(3 638)	-6%
Investment properties	17 602	17 602	-	0%
Invetments in subsidiares	412 572	382 090	30 482	8%
Invetments in entities accounted using equity method	2 008	2 008	-	-
Other financial assets	4 671	9 482	(4 811)	-51%
Deferred tax assets	19 715	19 020	695	4%
Prepayments	3 246	789	2 457	311%
Current assets	**299 500**	**468 928**	**(169 428)**	**-36%**
Inventory	31 283	19 719	11 564	59%
Trade and other receivables	101 581	380 808	(279 227)	-73%
Other financial assets	11 828	25 828	(14 000)	-54%
Cash and cash equivalents	136 025	14 113	121 912	864%
Prepayments	7 206	2 897	4 309	149%
Construction contracts	8 515	25 563	(17 048)	-67%
Asets held for sale	3 062	-	3 062	-
Total assets	**932 289**	**1 072 553**	**(140 264)**	**-13%**

2015 was another year when the balance sheet total decreased. As at December 31, 2015, the balance sheet total of Trakcja PRKiI was at PLN 932,289 thousand and decreased by PLN 140,264 thousand (by 13%) in regard to the balance sheet total as at the end of 2014.

Tangible assets increased by PLN 29,164 thousand in comparison to 2014, reaching PLN 632,789 thousand. The biggest increase was in investments in subsidiaries resulting from the acquisition of stocks and shares of the companies: PEUiM, Dalba, PDM Białystok from AB Kauno Group's subsidiaries as well as resulting from the increase of investments due to acquiring shares in the increased capital of PEUiM.

Current assets as at December 31, 2015 amounted to PLN 299,500 thousand and decreased by PLN 169,428 thousand (by 36%) in comparison with balance as at December 31, 2014. The biggest changes in current assets were in trade and other receivables which decreased by 73% to the amount of PLN 101,581 thousand. In the analysed period cash increased by PLN 121,912 thousand to the amount of PLN 136,025 thousand. The drop in receivables and at the same time increase in cash as at December 31, 2015 results from the fact that PKP PLK paid off significant amount of its debt to Trakcja PRKiI at the end of December 2015.

LIABILITIES	31.12.2015 Audited	31.12.2014 Audited	Change	Change %
Equity	**613 327**	**581 244**	**32 083**	**6%**
Share capital	41 120	41 120	-	0%
Share premium account	309 984	309 984	-	0%
Revaluation reserve	6 295	12 604	(6 309)	-50%
Other capital reserves	220 767	167 739	53 028	32%
Retained earnings	35 161	49 797	(14 636)	-29%
Total liabilities	**318 962**	**491 309**	**(172 347)**	**-35%**
Long-term liabilities	**60 527**	**59 984**	**543**	**1%**
Interest-bearing bank loans and borrowings	33 340	32 907	433	1%
Provisions	4 690	1 638	3 052	186%
Liabilities due to employee benefits	9 369	9 851	(482)	-5%
Provision for deferred tax	13 128	15 588	(2 460)	-16%
Short-term liabilities	**258 435**	**431 325**	**(172 890)**	**-40%**
Interest-bearing bank loans and borrowings	9 651	15 769	(6 118)	-39%
Bonds	-	32 360	(32 360)	-100%
Trade and other liabilities	182 398	286 185	(103 787)	-36%
Provisions	6 189	9 309	(3 120)	-34%
Liabilities due to employee benefits	6 722	6 944	(222)	-3%
Income tax liabilities	3 362	2 473	889	36%
Other financial liabilities	148	38 338	(38 190)	-100%
Accruals	150	7	143	2043%
Construction contracts	49 815	39 940	9 875	25%
Total equity and liabilities	**932 289**	**1 072 553**	**(140 264)**	**-13%**

At the end od 2015, the equity of the Company increased by PLN 32,083 thousand as compared to the balance as at December 31, 2014 reaching level of PLN 613,327 thousand. This increase was caused mainly by recognition of financial result of the year 2015.

As at December 31, 2015 long-term liabilities amounted to PLN 60,527 and increased slightly (by 1%) in comparison to the balance as at December 31, 2014.

As at December 31, 2015 short-term liabilities amounted to PLN 258,435 thousand and decreased by PLN 172,890 thousand (a 40% decrease) as compared to the balance at the end of 2014. The biggest drop was in trade and other liabilities which decreased by PLN 103,787 thousand. The Company in 2015 aimed at reduction of debt through payment of part of credits and loans and by reduction of factoring services.

3.1.3. Discussion of cash flow statement of Trakcja PRKiI

The main items of Trakcja PRKiI cash flow statement for years ended December 31, 2015 and December 31, 2014 are presented in the table below:

CASH FLOW ACCOUNT	1.01.2015 - 31.12.2015 Audited	1.01.2014 - 31.12.2014 Audited	Change	Change %
Cash at start of period	**14 113**	**33 744**	**(19 631)**	**-58%**
Net cash flows from operating activities	206 799	87 837	118 962	135%
Net cash flows from investment activities	7 411	6 281	1 130	18%
Net cash flows from financial activities	(92 298)	(113 749)	21 451	-19%
Total net cash flows	**121 912**	**(19 631)**	**141 543**	**-721%**
Cash at end of period	**136 025**	**14 113**	**121 912**	**864%**

The Company began 2015 with cash amounting to PLN 14,113 thousand and ended the discussed period with cash of PLN 136,025 thousand. This effect appears mainly to the settlement by PKP PLK of significant amount of its debt (Trakcja PRKiI receivables) at the end of 2015.

The total net cash flow in the discussed period was positive and amounted to PLN 121,912 thousand.

In 2015, the net cash flow from operating activities was positive and amounted to PLN 206,799 thousand. It meant it increased by PLN 118,962 thousand as compared to the analogous period of the previous year.

In 2015 the Company presented a positive net cash flow from investments in the amount of PLN 7,411 thousand, whereas in the comparable period of 2014 the net of cash flow from investments amounted to PLN 6,281 thousand. The positive net cash flow from investments in 2015 was mainly due to dividends obtained from the subsidiaries in the amount of PLN 16,749 thousand.

The net cash flow from financial activities in 2015 was negative and amounted to PLN 92,298 thousand. This amount mainly came from repayment of loans and credits, redemption of bonds and repayment of factoring debt in the discussed period in the total amount of PLN 82,590 thousand.

3.2 Financial ratios of Trakcja PRKiI

3.2.1 Profitablity ratios

The gross margin on sale decreased to 8.3% in 2015 as compared to 10.3% in the previous year. The operating profit, including amortisation decreased by PLN 27,754 thousand reaching PLN 40,892 thousand while the EBITDA margin decreased by 1.7 pp reaching the level of 5.36%. The operating profit margin decreased by 2 pp to 3.94%. The net profit margin in the discussed period reached 4.61%.

The return on equity (ROE) reached level of 5.89% while the return on assets (ROA) reached 3.51% and was lower by 1.1 pp as compared to the comparable period.

PROFITABILITY RATIOS	31.12.2015 Audited	31.12.2014 Audited	Change
Gross sales profit margin	8,28%	10,31%	-2,00%
EBITDA	40 892	68 647	(27 755)
EBITDA profit margin	5,36%	7,11%	-1,70%
Operating profit margin	3,94%	5,90%	-2,00%
Net profit margin	4,61%	5,15%	-0,60%
Return on equity (ROE)	5,89%	8,93%	-3,00%
Return on assets (ROA)	3,51%	4,62%	-1,10%

The above ratios have been calculated in accordance with the following formulas:
Gross sales profit margin = Gross profit on sales / revenues on sales
EBITDA = operating profit + depreciation and amortization
EBITDA margin = (operating profit + depreciation and amortisation) / 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 annual equity
Return on assets (ROA) = net profit / average annual assets

3.2.2 Liquidity ratios

The working capital of Trakcja PRKiI as at December 31, 2015 was at a positive level and amounted to PLN 41,214 thousand whereas at the end of 2014 amounted to PLN 37,610 thousand.

At the end of 2015, the current liquidity ratio was at 1.16 while the quick liquidity ratio was at 1.04. The immediate liquidity ratio (cash ratio) reached the level of 0.53 and in the comparable year was close to zero. The current and quick liquidity ratios were at the same level as in the comparable year.

LIQUIDITY RATIOS	31.12.2015 Audited	31.12.2014 Audited	Change
Working capital	41 214	37 603	3 611
Current ratio	1,16	1,09	0,10
Quick ratio	0,98	0,98	-
Cash ratio	0,53	0,03	0,50

The above ratios have been calculated in accordance with the following formulas
Working capital = current assets - short-term liabilities
Current ratio = current assets / short-term liabilities
Quick ratio = (current assets - inventory - prepayments - construction contracts from assets) / short-term liabilities
Cash ratio = (cash and cash equivalents + derivatives from assets) / short-term liabilities

3.2.3 Financing structure ratios

The equity to assets ratio as at December 31, 2015 amounted to 0.66 and increased in relation to the level observed at the end of comparable year. The equity to fixed assets ratio increased from 0.96 at the end of 2014 to 0.97 as at December 31, 2015. The ratio of total debt amounted to 0.34 at the end of 2015. The debt to equity ratio decreased from 0.85 at the end of 2014 to 0.52 at the end of 2015.

FINANCING STRUCTURE RATIOS	31.12.2015 Audited	31.12.2014 Audited	Change
Equity to assets ratio	0,66	0,54	0,12
Equity to non-current assets ratio	0,97	0,96	0,01
Debt ratio	0,34	0,46	-0,12
Debt to equity ratio	0,52	0,85	-0,33

Equity to assets ratio = Equity / total assets
Equity to non-current assets ratio = Equity / fixed assets
Debt ratio = (Total assets - Equity) / Total assets
Debt to equity ratio = (Total assets - Equity) / Equity

3.3 Assessment of financial resources management

At the end of 2015, Trakcja PRKiI held cash and cash equivalents in the amount of PLN 136,025 thousand with a simultaneous total financial debt due to credits, loans, financial lease, and factoring liabilities in the amount of PLN 432,139 thousand. The Company maintains a safe level of both external financing and safe level of financial liquidity. Any periodic cash surpluses are invested in short-term bank deposits.

As at December 31, 2015, the Company had at its disposal a credit limit in the current account and working capital credits up to the total value of PLN 114 million which guarantees a stable level of financing of the Trakcja PRKiI's current contracting activity.

Trakcja PRKiI conducts extensive cooperation with banks and insurance institutions in order to ensure adequate level of financing and bank and insurance guarantees allowing execution of planned construction contracts.

The Company takes advantage of many offered bank products and various sources of financing (credit limits in current account, investment credits, bonds, factoring, financial lease) to minimize financial costs and optimize financial liquidity management.

Evaluation of factors and unusual events affecting the financial performance of Trakcja PRKiI in 2015

In 2015, there were no significant factors and untypical events affecting the results achieved by Trakcja PRKiI.

3.4 Evaluation of potential completion of investment projects, including capital investments

Based on the analyses made, the Management Board of the Parent Company claims that Trakcja PRKiI is able to finance current and future investment undertakings with funds generated from operating activity and with debt financing.

3.5 Hedging transactions

In 2015 the Company's operations were not significantly exposed to fluctuations of foreign echange rates. All contracts executed in 2015 are contracts denominated in PLN. During the reporting period, the Company did not conclude option contracts for interest rates and interest rate swaps (IRS). The Company did not conclude any derivative contracts for speculation purposes. The Company did not use hedge accounting in the reporting periods covered by the financial statement.

3.6 Opinion of the Management Board on earlier published forecasts of the Company's financial results

Trakcja PRKiI did not publish any financial forecasts in 2015.

4 SHARES AND OWNERSHIP STRUCTURE OF TRAKCJA PRKiI

4.1 Shareholding structure

As at December 31, 2015 and as of the date of these statements, the share capital of the Company - pursuant to the entry in the National Court Register - amounted to PLN 41,119,638.40 and was divided into 51 399 548 A-series ordinary bearer shares with nominal value of PLN 0.80 each. Each share entitles to one vote at the Company's General Meeting.

The table below presents the shareholding structure:

	31.12.2015 Audited	31.12.2014 Audited
	Par value 0.8 PLN	Par value 0.8 PLN
Series A ordinary shares	51 399 548	51 399 548
Total	**51 399 548**	**51 399 548**

According to the knowledge of the Management Board of the Company, the status of Shareholders who hold, directly or through subsidiaries at least 5% of the general number of votes at the General Meeting as of the date of approval of these statements is as follows:

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	14 806 908	28,81%	14 806 908	28,81%
ING OFE	5 111 908	9,95%	5 111 908	9,95%
OFE PZU	4 349 650	8,46%	4 349 650	8,46%
Other shareholders	27 131 082	52,78%	27 131 082	52,78%
Total	**51 399 548**	**100,00%**	**51 399 548**	**100,00%**

On May 20, 2015 the shareholder ING Open Pension Fund (ING OFE), informed about the change of votes at the General Meeting of Shareholders. The number of shares held by the shareholder changed to 5 725 828 shares (that is 11.14% of the Company's share capital) which gives the ING OFE the right to 5 725 828 votes at the General Meeting of Shareholders which constitutes 11.14% of total number of votes.

On June 26, 2015 the shareholder ING Open Pension Fund (ING OFE), informed about the reduction of the number of shares of the Company that ING OFE held. Due to the sale transaction of the Company's share that was effected by the ING OFE, the number of shares held by the shareholder changed to 5 111 908 shares (that is 9.95% of the Company's share capital) which gives the ING OFE the right to 5 111 908 votes at the General Meeting of Shareholders and which constitutes 9.95% of total number of votes.

4.2 Number and nominal value of the Company's shares and interest in the Company's associates held by managing and supervising persons

The status of possession of the Issuer's shares by the managing and supervising persons as at the date of delivering the statements is as follows (nominal value of 1 share is PLN 0.80):

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

According to the knowledge of the Issuer's Management Board, as at the date of delivering these statements other members of the Management Board and Supervisory Board do no hold any shares of Trakcja PRKiI.

As from the date of delivering the last periodic report, there were no changes in the percentage interest of shares of the Company held by the managing and supervising persons.

The Company's Management Board members and the Supervisory Board members do not hold shares in any entity of the Trakcja Group.

4.3 Agreements concerning potential changes in the shareholding structure

The Management Board has no information about concluded agreements which may result in future changes in the proportions of shares held by the current shareholders

4.4 Employee Share Scheme

In 2015 Trakcja PRKiI did not implement any employee share schemes.

4.5 Purchase of own shares

In 2015, Trakcja PRKiI did not acquire own shares.

5 OTHER INFORMATION

5.1 Information about credits and loans that were taken or terminated in the reporting period

The list of credits and loans taken by Trakcja PRKiI as at December 31, 2015 is presented in the table below:

Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
mBank S.A.	overdraft	20 000	PLN	28-04-2016	WIBOR O/N + margin	-
mBank S.A.	working capital loans	50 000	PLN	28-04-2017	WIBOR 1M + margin	-
PKO BP S.A.	working capital loans	44 000	PLN	03-07-2016	WIBOR 1M + margin	-
mLeasing Sp. z o.o.	project purpose loans	22 400	PLN	25-10-2019	WIBOR 1M + margin	17 560
					Total	**17 560**

The total liability of the Company due to credits and loans taken as at December 31, 2015 amount to PLN 17,560 thousand – the whole amount is the liability of investment nature.

Moreover, pursuant to the signed agreements as at December 31, 2015, the Company had unused credit limits in the current account and working capital credits in the total amount of PLN 114 million (and as at December 31, 2014: PLN 142 million).

Credits and loans taken in 2015

During the period covered by these statements Trakcja PRKiI signed agreements concerning the following liabilities related to credits or loans:

- an agreement with mBank S.A. concerning the renewable credit in the credit account for PLN 50,000 thousand with a repayment date up to April 28,, 2017 and interest rate at WIBOR 1M plus margin;

- on January 28, 2015 the annex to the renewable credit in the credit agreement up to PLN 10,000 thousand, between the Company and mBank S.A. was signed. Pursuant to the annex, the term of financing was extended to January 28, 2016. This agreement was later changed by the annex of April 28, 2015. According to this annex the term of financing was extended to April 28, 2016 and the amount was changed to PLN 20,000 thousand.

Agreements concerning credits and loans terminated in 2015

In 2015 the Company repaid or terminated the following agreements:

- an agreement with Alior Bank S.A. concerning a renewable credit in the credit account for PLN 45,000 thousand with interest rate at WIBOR O/N plus margin; there was no credit liability as at December 31, 2014;

- an agreement with Alior Bank S.A. concerning a renewable credit in the credit account for PLN 50,000 thousand with interest rate at WIBOR 1M plus margin; the credit balance as at December 31, 2014 amounted to PLN 7,000 thousand.

5.2 Information about loans granted during the financial year

The list of loans granted in 2015 by the Company is presented in the table below:

Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
PRK 7 Nieruchomości Sp. z o.o.	3 500	PLN	31.12.2016	WIBOR 1 M + margin	2 820	subsidiary
Total	**3 500**				**2 820**	

5.3 Information about granted and received sureties and guarantees

In 2015, the Company did not grant any surety for credits or loans and did not grant any guarantees to one entity or a subsidiary of such entity, the total value of which would constitute an equivalent of at least 10% of the Issuer's equity.

In 2015 the Company did not receive any surety and guarantee from the related entities.

5.4 Proceeds from issuance of securities

During the period covered by the report Trakcja PRKiI did not issue any securities, and thereby did not obtain any proceeds from issuance of securities.

On January 22, 2015 the Management of Krajowy Depozyt Papierów Wartościowych S.A. (KDPW) (the National Securities Depository) passed a resolution on withdrawing 17 914 of E-series bearer bonds from the deposit maintained by KDPW. As a result, after the redemption, as at January 26, 2015 there remained 3 007 E-series bearer bonds marked with the ISIN code: PLTRKPL00089.

On December 31, 2015, the Company purchased own bonds at maturity date. The bonds were purchased for redemption purposes pursuant to point 5.1 of Information Note for C-series bearer bonds marked with the code: PLTRKPL00063 and pursuant to point 5.1 of Information Note for E-series bearer bonds marked with the code: PLTRKPL00089.

The following bonds were purchased:

- 29 529 C-series bonds with the nominal value of PLN 1,000 each. The unit purchase price of the above mentioned bonds together with interest was PLN 1,027.93 per one bond;
- 3 007 E-series bonds with the nominal value of PLN 1,000 each. The unit purchase price of the above mentioned bonds together with interest was PLN 1,032.97 per one bond.

As at December 31, 2015 the Company had no bond liabilities.

5.5 Significant off-balance-sheet items

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

	31.12.2015 Audited	31.12.2014 Audited
Contingent receivables		
From related entities due to:	**94 664**	**123 039**
Received guarantees and sureties	89 162	113 573
Bills of exchange received as collateral	5 502	9 466
Total contingent receivables	**94 664**	**123 039**
Contingent liabilities		
From related entities due to:	**809**	**-**
Provided guarantees and sureties	809	-
From other entities due to:	**2 269 160**	**1 684 351**
Provided guarantees and sureties	394 038	300 979
Promissory notes	439 152	403 850
Mortgages	99 000	229 500
Assignment of receivables	1 238 501	626 397
Assignment of rights under insurance policy	41 586	60 777
Security deposits	20 140	25 530
Other liabilities	36 743	37 318
Total contingent liabilities	**2 269 969**	**1 684 351**

Contingent receivables from guarantees and sureties include guarantees granted to Trakcja PRKiI by banks, insurance companies or other entities as a collateral of the Company's claims against clients that is related with construction contracts that are being executed.

Contingent liabilities from granted guarantees and sureties include above all guarantees granted by banks and insurance companies to the Company's clients as a collateral of their claims against the Company that is related with construction contracts that are being executed. The banks are entitled to back these claims against the Company. Promissory notes constitute another form of collateral of bank guarantees, that are mentioned above.

5.6 Important court cases and disputes

As of 31 December 2015, 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 individually would be at least equivalent to 10% of the equity of Trakcja PRKiI S.A.

The Company also informs that the total value of proceedings concerning Company's claims and liabilities is at least 10% of the Company's equity. Within the group of claims the total value of proceedings is PLN 70,922,292.36 and in the group of liabilities is PLN 5,819,958.8.

The major proceeding in the group of claims:

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

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

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

The major proceeding in the group of liabilities:

Case initiated under action by Eiffage Polska Koleje Sp. z o.o. based in Warsaw.

Eiffage Polska Koleje Sp. z o.o. based in Warsaw filed on 21 April 2015 a suit for payment for the amount of PLN 2,975,851.31 against Trakcja PRKiI S.A. and PKP Polskie Linie Kolejowe S.A. seeking compensation in respect of unpaid invoices for subcontracted work. The Company filed an objection, and now the case is pending. The court has not yet set a new date of hearing.

Other trials:

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

The Company informs that in the period covered by the report, i.e. on 10 March 2015, by a decision of District Court for the Capital City of Projekt-Bud Sp. z o.o.(hereinafter "the Bankrupt") was declared bankrupt with the possibility of an arrangement. The Company has submitted its claims against the Bankrupt in total amount of PLN 9,708,613.62. The total amount of lodged claims comprises claims under lease of locomotives and wagons, equipment rental, sales contracts, performed works and the contractual penalty charged against the Bankrupt. On 31 December 2015, a direct payment of PLN 7,382 827.30 by PKP PLK (Awarding Entity) took place. In view of the above, as of the date of approval of these financial statements, the Company has a claim against the Bankrupt in the amount of PLN 2,325,786.32.

Apart from the trials described above, which are included in the amounts stated at the beginning of the note, there are also other disputes pending within the Group:

PRK 7 Nieruchomości Sp. z o.o.

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

AB Kauno Tiltai

Investor AB Lietuvos geležinkeliai filed a lawsuit against the Consortium subsidiary AB Kauno tiltai is a member of, for a total sum of PLN 63,877,994.30 (EUR 14,989,556.33). The investor brought a claim against AB Kauno tiltai about charging a contractual penalty for the delay in execution of works. The share of Grupa Trakcja in liabilities (if any) that may arise from this trial is 65%. The case is currently pending. As a result of analysis of the risks associated with the ongoing litigation, the Group created a provision amounting to PLN 27,800 that affects the result for the current period. The Group refrained from making other disclosures relating to this case by invoking clause 92 of IAS 37.

5.7 Significant events after the balance sheet date

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

5.8 Transactions with related entities

All transactions of the Issuer with the related entities were made at arm's length.

Detailed information about transactions with related entities is presented in Note 54 to the Annual Financial Statement of Trakcja PRKiI for 2015.

5.9 Remuneration of the Management Board and Supervisory Board members

The total value of remuneration of the Management Board members in 2015 is presented in the table below:

		Parent company				**Subsidiaries**			
Management Board of the Parent Company		**Remunaration**	**Awards***	**Other benefits****	**Total**	**Remunaration**	**Awards**	**Other benefits**	**Total**
Roman Przybył	President of Management Board to 19.02.201	126	2 376	2 542	5 044	128			128
Jarosław Tomaszewsk	Acting President of the Management Board since 20.02.2015, during 2014 Vice-President of the Management Board	771	262	9	1 042	192	-	-	192
Marita Szustak	Vice-President of the Management Board	296	1 082	1 060	2 438	-	-	-	-
Stefan Dziedziul	Vice-President of the Management Board	180	273	1 560	2 013	-	-	-	-
Nerijus Eidukevičius	Vice-President of the Management Board	60	882	-	942	532	894	-	1 426
Paweł Nogalski	Vice-President of the Management Board from 09.06.2015	340	-	18	358				
Marek Kacprzak	Vice-President of the Management Board from 09.06.2015	340	-	18	358	-	-	-	-
Sławomir Raczyński	Vice-President of the Management Board from 09.06.2015	340	-	5	345	-	-	-	-
Total		**2 453**	**4 875**	**5 212**	**12 540**	**852**	**894**	**-**	**1 746**

**) Awards include annual and long-term bonuses.*

***) Other benefits include compensation in case of resignation or recall from the position as well as compensation arising from non-compete clause.*

The total value of remuneration of the Supervisory Board members in 2015 is presented in the table below:

Supervisory Board of the Parent Company		**Parent company**				**Subsidiaries**			
		Remunaration	**Awards**	**Other benefits**	**Total**	**Remunaration**	**Awards**	**Other benefits**	**Total**
Maciej Radziwiłł	(to 24.09.2015)	180	-	-	180	256	-	-	256
Andrzej Bartos		66	-	-	66	-	-	-	-
Wojciech Napiórkowski		66	-	-	66	-	-	-	-
Julius Stalmokas	(to 25.06.2015)	33	-	-	33	-	-	-	-
Miquel Llevat Vallespinosa		-	-	-	-	256	-	-	256
Jorge Miarnau Monserrat		-	-	-	-	-	-	-	-
Fernando Perea Samarra		-	-	-	-	-	-	-	-
Michał Hulbój	(from 25.06.2015)	33	-	-	33	-	-	-	-
Dominik Radziwiłł	(from 05.10.2015)	-	-	-	-	-	-	-	-
Total		**378**	**-**	**-**	**378**	**512**	**-**	**-**	**512**

5.10 Agreements concluded between the Company and managing persons

The Company concluded employment contracts with the Management Board members, which provide for:

- compensation equal to 12 monthly gross salary in Trakcja Group received by the employee in the last month before employment contract terminates. This compensation will be paid in 4 equal instalments.

or

- compensation equal to 6 basic monthly gross salary in Trakcja Group received by the employee in the last month before employment contract terminates. This compensation will be paid in 3 equal instalments.

Trakcja PRKiI concluded the Management Board Members a non-compete agreements, which provide for a compensation during one year from the termination of employment:

- in the amount of 100% of average monthly salary due on the basis of the employment contract during the last year of employment with the Company, which will be paid in equal monthly instalments.

or

- in the amount of 100% of basic monthly salary due on the basis of the employment contract during the last year of employment with the Company, which will be paid in equal monthly instalments.

5.11 Important achievements in the area of research and development

In 2015 the Company undertook actions to formalize issues of the Company's intellectual property, including patents. A a result, 2 license agreements for use of the Company's patents were signed:

- With Fabryka Urządzeń Kolejowych (Railway Devices Factory) for use of patent no. 213109 "Putting gateway catenary on foundation piles";
- Right to use technical documentation of individual steel poles, of which the Company is the owner.

5.12 Information about the entity acting as the certified auditor

Pursuant to the resolution of the Supervisory Board of Trakcja PRKiI, the entity authorized to audit the financial statements of the Group and the Company is Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. based in Warsaw at Al. Jana Pawła II 19 str.

On August 3, 2015, the Company concluded an agreement with Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. for:

- a review of the semi-annual standalone and consolidated financial statements prepared as at June 30, 2015 according to the International Accounting Standards;
- an audit of the annual standalone and consolidated financial statements prepared as at December 31, 2015 according to the International Accounting Standards.

The agreement was concluded for the period of performing the subject of the contract.

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

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
On account of agreement for financial statement audit	135	148
On account of agreement for financial statement review	68	77
Other certified services	5	-
Total	**208**	**225**

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

6 REPORT ON APPLICATION OF CORPORATE GOVERNANCE RULES

6.1 Specification of the scope in which the Issuer has renounced to apply the provisions on corporate governance according to the Good Practices for Companies Listed on the Warsaw Stock Exchange applicable till 31 December 2015, indication of those provisions and explanation of that renouncement

The Company undertook to observe the corporate governance rules included in the document entitled "Good Practices for Companies Listed on the Warsaw Stock Exchange" save for the following rules:

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

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

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

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

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

Explanation:

The Company applies this rule in the following manner: the Company's website is not based on the model website, available at the following address: http://naszmodel.gpw.pl/, whereas its layout and content are largely consistent with the content presented in the model website. 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.

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. When developing the remuneration policy for members of the management and supervisory bodies, applied should be the Commission Recommendation 2004/913/EC fostering an appropriate regime for the remuneration of directors of listed companies of 14 December 2004 in conjunction with the Commission Recommendation 2009/385/EC of 30 April 2009.

The Company did not apply the aforementioned recommendation.

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 Supervisory Board of the Company established the Remuneration Committee to implement a remuneration policy for the Directors and Management of the Company.

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

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

The Parent Company does not apply the aforementioned recommendation. As of today, no woman is a member of the Management Board of the Company.

Explanation:

Due to the nature of the Company’s industry, the application of that recommendation is actually 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 forms of artistic and cultural expression, sports activity or in the area of education and science, and perceives its activity in this scope as an element of its business mission and development strategy, affecting the innovation of the enterprise and its competitiveness, a good practice is to publish - in the manner adopted by the company - the rules of conducting business in this scope.

The Company did not apply the aforementioned recommendation.

Explanation:

The Company supports sports activity, of which it informs on the website. The Company does not publish rules of conducting activity in this area, because the Company's support takes place in regard to defined projects and does not have a cyclical 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 shareholders a possibility to perform, personally or through a representative, the voting right during a general meeting, apart from the location of the general meeting, using electronic communication means.

The Company did not apply the aforementioned recommendation.

Explanation:

The rule will not be applied, since the Company does not conduct detailed registration of the course of the General Meeting, including all speeches and questions of shareholders. Participants of General Meetings, pursuant to the provisions of the code of commercial companies, are entitled to submit written statements, which are attached to the minutes of General Meetings. In the opinion of the Company the aforementioned rules ensure transparent course of the General Meeting.

The Company does not have an appropriate technical infrastructure to professionally and safely record the course of General Meetings. Moreover, in the opinion of the Company, existing forms of recording and the course of General Meetings ensure transparency and protect the rights of all shareholders. The course of the Company's General Meetings is recorded in line with applicable laws. Whereas the content of resolutions undertaken at General Meetings is made available by the Company in the form of current reports, as well as placement on the Company's website.

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

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

Before a 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 this set of rules, the definition of the related entity is adopted within the meaning of the Regulation of the Minister of Finance issued under Article 60 item 2 of the Act on Public Offering and on Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies of 29 July 2005 (Journal of Laws No. 184, item 1539, as amended).

The Company partially applies the aforementioned rule.

Explanation:

The Company's Statute requires the Supervisory Board's consent to conclude any agreements, transactions or several related agreements or transactions with related entities, in line with the definition adopted in Article 4 § 1 item 4 and 5 of the Commercial Companies Code (except for agreements and transactions with entities within Grupa Trakcja), 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 our 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.

The Company partially applies the aforementioned rule.

Explanation:

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

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

The Company should ensure that its shareholders may participate in the General Meeting of Shareholders through the use of electronic communication means. The preceding should involve:

1) real-time broadcast of the meeting,
2) Bilateral communication in a real time allowing for the shareholders to express their opinions in the course of the general meeting even though they are in a place other than the venue of the meeting.

The Company does not apply the aforementioned rule.

Explanation:

Pursuant to Article 406 of the Code of Commercial Companies, the current text of the Company's Statute does not provide for a possibility to participate in the general meeting using electronic communication means, which covers the aforementioned manners of communication.

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

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

1) liquidation of the Company;
2) increasing the Company's share capital, redemption of the Company's shares and decreasing the Company's share capital;
3) issue of convertible bonds or other securities which grant voting rights to the holder;
4) granting options which give the right to acquire shares or other securities of the Company and defining the conditions of such options;
5) depriving the Shareholders of the right to acquire new issue shares;
6) sale of the enterprise or an organized part thereof;
7) removal or suspension of members of the Management Board or Supervisory Board;
8) merger of the Company with another company, division and transformation of the Company;
9) cancelling dematerialization of the Company's shares;
10) changes of the Statute

passed with a majority of 2/3 (two thirds) of votes cast, or higher majority if required by relevant regulations. the General Meeting, save for relevant provisions of the Company's statute, shall appoint members of the Supervisory Board of the Company. Apart from matters listed above, 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 activities of the Company and the Group of companies as well as the financial statements of Company and the Group of companies for the previous financial year, discharging members of the Company's corporate bodies on the performance of their duties, division of profit or coverage of loss, selling or leasing the enterprise or its organized part and establishing limited right in rem, issuing convertible bonds or senior bonds, redeeming shares, establishing and liquidating reserve capital; in case of the Company's liquidation, the GMS appoints liquidators and specifies the manner of conducting the liquidation process. The Management Board submits drafts of the GMS resolutions to the Supervisory Board for its prior opinion. The shareholders may participate in the GMS and exercise their voting rights in person or represented by their proxies. The Company’s Management Board members and the members of the Supervisory Board participate in the GMS. If the GMS has any financial matters in its agenda, a certified auditor should be present. Media may participate in the GMS, unless the subject matter of the meeting indicates that their presence might cause damage to the Company. A motion to approve presence of media representatives is submitted to voting by the Chairman of the GMS immediately after the attendance list is signed.

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

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

Management Board

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

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

In the last financial year, the following changes in composition of the Company's Management Board took place:

- on 31 December 2014, Mr Stefan Dziedziul resigned from the function of a member of the Management Board of the Company with effect as of 31 March 2015.
- on 19 February 2015, Mr Roman Przybył resigned from the function of the President of the Management Board of Trakcja PRKiI for personal reasons. In connection with the resignation of Mr Roman Przybył, the Company's Supervisory Board entrusted the duties of the President of the Management Board with Mr Jarosław Tomaszewski, Finance Director and current Vice-President of the Management Board.
- on 19 February 2015, the Supervisory Board of the Company accepted the statement of Ms Marita Szustak on withdrawing the resignation from fulfilling the function of a member of the Company's Management Board submitted on 31 December 2014. on 28 May 2015, Ms Marita Szustak made a statement on resignation from the function of a member of the Management Board of the Company with effect as of the date of statement;
- on 9 June 2015 the Supervisory Board of the Company appointed Mr Jarosław Tomaszewski the President of the Board, and appointed: Mr Sławomir Raczyński, Mr Marek Kacprzak and Mr Paweł Nogalski as members and Vice-Presidents of the Management Board.

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. Pursuant to the Company's Statute, the Management Board consists of no more than 10 persons, appointed and removed by the Supervisory Board, however if due to: (i) a change of Article 13.1, 13.4 of the Statute, (ii) a change of relevant law regulations, (iii) selection of the Supervisory Board in a manner defined in Article 385 § 5 and (or) 6 of the Code of Commercial Companies, the main shareholder of COMSA cannot appoint such number of members of the Supervisory Board that would constitute a majority of its members, COMSA shall be entitled to appoint and remove Management Board members in the number equivalent to 50% of all Management Board members (rounded down to a full number) and additionally one Management Board member. If the number of Supervisory Board members appointed by COMSA stops being a majority of Supervisory Board members then a resolution of the General

Meeting concerning removal or suspension of a member (members) of the Management Board appointed by COMSA is undertaken with 2/3 of votes cast.

The Management Board members are appointed for a joint 3-year 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).

Authorised signatories

The Company's authorised signatories included:

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

The aforementioned authorized signatories submit statements on behalf of the Company acting jointly with a Management Board member pursuant to Article 20 of the Company's Statute. No new authorised signatories were appointed in the last financial year.

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.

Supervisory Board

The Company's Supervisory Board consists of:

- Dominik Radziwiłł - Chairman of the Supervisory Board;
- Jorge Miarnau Montserrat - Vice-Chairman of the Supervisory Board;
- Miquel Llevat Vallespinosa - Member of the Supervisory Board;
- Wojciech Napiórkowski - Member of the Supervisory Board;
- Fernando Perea Samarra - Member of the Supervisory Board;
- Andrzej Bartos - Member of the Supervisory Board.
- Michał Hulbój - Member of the Supervisory Board.

In the last financial year, the following changes in composition of the Company's Supervisory Board took place:

- on 25 June 2016 the Annual General Meeting of Shareholders dismissed Member of the Supervisory Board of the company Julijus Stalmokas and appointed Mr Michał Hulbój in place of the former,
- on 18 September 2015 Mr Maciej Radziwiłł made a statement of resignation of membership in the Supervisory Board effective as of 24 September 2015. On 5 October 2015, COMSA S.A. based in Barcelona, a shareholder of the Company, appointed Mr Dominik Radziwiłł as member of the Supervisory Board under article 13 paragraph 4 of the Company Statute. At the meeting held on 26 November 2015, Mr Dominik Radziwiłł was appointed the Chairman of the Supervisory Board.

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. The Supervisory Board of the Company currently consists of seven members. The Supervisory Board consists of its Chairman, two Vice-Chairmen and other members. The term of office of the Supervisory Board is three years.

Members of the Supervisory Board are appointed and removed by the General Meeting, whereas the main shareholder, COMSA S.A. is entitled to appoint and remove four members of the Supervisory Board by way of a written statement submitted to the Company. If the number of members of the Supervisory board is higher or lower than seven due to a change of Article 13.1 of the Statute or relevant law regulations, COMSA will be entitled to appoint and remove members of the Supervisory Board in a number equal to 50% of all Supervisory Board members (rounded down to a full number) and additionally one Supervisory Board member.

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

1) not be a member of the Management Board of the Company or a related company, or fulfil such function during the last five years;
2) not be an employee of the Company or a related company, or fulfil such function during the last three years;
3) not receive, currently or in the past, significant additional remuneration from the Company or a related company, apart from remuneration received due to fulfilling the function of a Supervisory Board member;
4) not be, or not represent, in any manner, a majority shareholder or any shareholder with at least 5% of votes at the General Meeting;
5) not have currently, or during the last year, any significant business relations with the Company or a related company, both directly or as a partner, shareholder, director or a key employee of an entity having such relations;
6) not be currently or during the last three years a partner or employee of a current or former external auditor of the Company or a related company;
7) not be a managing director or an executive director in another company, in which a member of the Company's Supervisory Board is a non-executive director or a supervisory director and not have any other significant relations with members of the Company's Management Board through activity in other companies or entities;
8) not fulfil a role of a member of the Supervisory Board for more than three terms of office;
9) not be a close family member of an executive director or managing director or persons referred to in Section 1) to 8).

The Supervisory Board, which composition does not include an independent member of the Supervisory Board, regardless of the reasons of such circumstances, has ability to undertake valid resolutions.

If COMSA S.A. does not appoint a Supervisory Board member (members) within twenty one days from the date of expiry of the mandate of a Supervisory Board member (members) appointed by COMSA S.A., such Supervisory Board member (members) should be appointed and revoked by the General Meeting until COMSA exercises its right. In case of COMSA S.A. exercising its right to select the Supervisory Board member, the mandate of a Supervisory Board member (members) appointed by the General Meeting pursuant to this provision shall expire automatically without influencing the term of office of the Supervisory Board.

The Supervisory Board, which due to the expiry of a mandate of a Supervisory Board member (members) (for reasons other than revocation) consists of less than seven but at least five members, has ability to undertake valid resolutions until the appointment of missing Supervisory Board members.

If the Supervisory Board is appointed in the manner defined in Article 385.5 or 6 of the Code of Commercial Companies, the Chairman shall be appointed by COMSA S.A. from among the candidates selected in the manner defined in Article 385.5 or 6 of the Code of Commercial Companies.

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 Vice-Chairman are appointed 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 may be reappointed for a new term of office. The members of the Supervisory Board shall be 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 with the use of means of direct communication over distance. Meetings of the Supervisory Board shall be convened at least four times per year by the Chairman, who chairs the meeting. In the absence of the Chairman, the meetings are chaired by one of the Vice-Chairmen. 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 selects 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 Vice-Chairman. 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 Code of Commercial Companies, the Supervisory Board may also adopt its resolutions in writing or with the use of means of direct communication at distance. In such case, a draft resolution should be presented to all members of the Supervisory Board by its Chairman, and in case of his absence, by one of the Vice-Chairmen.

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 Article 16 and Article 16A of the Company's Statute. The Supervisory Board appoints the Company's certified auditor. Resolutions of the Supervisory Board shall be adopted by a simple majority of votes. If there is no majority, the vote of the Chairperson of the Supervisory Board shall prevail.

On 25 July 2013, the Supervisory Board of the Company set up the Audit Committee composed of Supervisory Board's members, and the Committee is currently composed as follows: Mr Wojciech Napiórkowski (President of the Audit Committee), Mr Fernando Perea Samarra (Member of the Audit Committee) and Mr Dominik Radziwiłł (Member of the Audit Committee).

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

6.4 Description of basic features of external audit and risk management systems with reference to the process of preparation of financial statements

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

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

In 2015, Trakcja PRKiI maintained accounting books in Microsoft Dynamics AX. The structure of the system ensures a transparent allocation of competences, consistent records of operations in the ledgers and cross-validation between defined modules.

The consolidated financial statements are prepared based on uniform consolidation packages prepared in an electronic form by the respective Group companies. The process of data consolidation is conducted in the Stock

Exchange Reporting Department of the Company under the supervision of the Vice-President of the Management Board - Finance Director.

The Supervisory Board assesses the separate and consolidated financial statements and appoints the Audit Committee being an advisory and opinion-generating body operating within the structures of the Supervisory Board. The main goal of the Audit Committee is to support the Supervisory Board in conducting financial supervision and providing the Supervisory Board with measurable information and opinions allowing to effectively make proper decisions in terms of financial reporting, internal control and risk management, and ensuring independence and objectivity of the entity authorized to audit financial statements.

Pursuant to applicable laws, Trakcja PRKiI's financial statements are annually audited and semi-annually reviewed by an independent certified auditor. The selection of the certified auditor is made by the Company's Supervisory Board from among renowned auditing companies based on recommendations of the Audit Committee. Within the scope of audit works, the certified auditor makes an independent assessment of the reliability and correctness of separate and consolidated financial statements and confirms the effectiveness of the internal control and risk management system.

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

In 2015, Trakcja PRKiI SA 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 "Corporate governance" tab.

6.6 Specification of shareholders holding directly or indirectly significant shareholdings

According to the Issuer's Management Board knowledge, the status of Shareholders possessing directly or through subsidiaries at least 5% of the general number of votes at the General Meeting on the date of approving these statements is as follows:

Shareholders	Number of shares	% in the share capital	Number of votes	% in votes at GSM
COMSA S.A.	14 806 908	28,81%	14 806 908	28,81%
ING OFE	5 111 908	9,95%	5 111 908	9,95%
OFE PZU	4 349 650	8,46%	4 349 650	8,46%
Other shareholders	27 131 082	52,78%	27 131 082	52,78%
Total	**51 399 548**	**100,00%**	**51 399 548**	**100,00%**

On 20 May 2015 shareholder ING Otwarty Fundusz Emerytalny informed of the change of votes at the General Meeting of the Company. The number of shares held by ING changed to 5,725,828 shares, representing 11.14% of the share capital of the Company entitling ING to 5,725,828 votes at the General Meeting of the Company, which is 11.14% of the total number of votes.

On 26 June 2015, shareholder ING Otwarty Fundusz Emerytalny informed about the decrease in the number of shares of the Company held. Following the transaction of sale of shares of the Company by ING the amount changed to 5,111,908 shares, representing 9.95% of the share capital of the Company entitling to 5,111, 908 votes at the general meeting of the Company, which is 9.95% of the total number of votes.

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

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

6.8 Specification of any restrictions on voting rights

Resolutions at the General Meeting are passed with an absolute majority of votes cast, whereas resolutions concerning:

1) liquidation of the Company;
2) increasing the Company's share capital, redemption of the Company's shares and decreasing the Company's share capital;
3) issue of convertible bonds or other securities which grant voting rights to the holder;
4) granting options which give the right to acquire shares or other securities of the Company and defining the conditions of such options;
5) depriving the Shareholders of the right to acquire new issue shares;
6) sale of the enterprise or an organized part thereof;
7) removal or suspension of members of the Management Board or Supervisory Board;
8) merger of the Company with another company, division and transformation of the Company;
9) cancelling dematerialization of the Company's shares;
10) changes of the Statute.

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

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

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

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

Pursuant to the Company's Statute, the Management Board is appointed and revoked by the Supervisory Board based on the resolution, however if due to: (i) a change of Article 13.1, 13.4 of the Statute, (ii) a change of relevant law regulations, (iii) selection of the Supervisory Board in a manner defined in Article 385 § 5 and (or) 6 of the Code of Commercial Companies, the main shareholder of COMSA cannot appoint such number of members of the Supervisory Board that would constitute a majority of its members, COMSA shall be entitled to appoint and remove Management Board members in the number equivalent to 50% of all Management Board members (rounded down to a full number) and additionally one Management Board member. If the number of Supervisory Board members appointed by COMSA stops being a majority of Supervisory Board members then a resolution of the General Meeting concerning removal or suspension of a member (members) of the Management Board appointed by COMSA is undertaken with 2/3 of votes cast. The Management Board members are appointed for a joint 3-year 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). Rules concerning decisions about issuance or purchase of shares (increasing or decreasing the share capital) are reserved for the General Meeting, which undertakes resolutions with a majority of 2/3 of votes cast.

6.11 Description of rules for changing the Statute of Trakcja PRKiI

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.

Warsaw, March 21, 2016

Jarosław Tomaszewski
President of the Management Board

Nerijus Eidukevičius
Vice President of the Management Board

Marek Kacprzak
Vice President of the Management Board

Paweł Nogalski
Vice President of the Management Board

Sławomir Raczyński
Vice President of the Management Board

MANAGEMENT BOARD'S STATEMENT

To the best of our knowledge, the financial statements of Trakcja PRKiI S.A. for the period from January 1, 2015 to December 31, 2015 and the comparative data for the period from January 1, 2014 to December 31, 2014 have been prepared in compliance with the accounting principles in force and reflect the Company's assets and financial standing as well as its financial profit or loss in a true, reliable and clear manner. The Management Board's report on the activities of the Issuer presents a true picture of the development and achievements, risks, threats and condition of Trakcja PRKiI S.A.

We also represent that the entity authorised to audit the financial statements which examines the annual financial statements of Trakcja PRKiI S.A. for the 12-month period ended December 31, 2015, Deloitte Polska Spólka z ograniczoną odpowiedzialnością Sp. k. was appointed in accordance with the provisions of law. That entity as well as the certified auditors, who conduct the audit, fulfilled the conditions for expressing an unbiased and independent opinion about the audit as required by the binding provisions of law and professional standards.

Jarosław Tomaszewski

President of the Management Board

Nerijus Eidukevičius

Vice President of the Management Board

Marek Kacprzak

Vice President of the Management Board

Paweł Nogalski

Vice President of the Management Board

Sławomir Raczyński

Vice President of the Management Board

Warsaw, March 21, 2016

Trakcja PRKiI S.A.

ANNUAL FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR

ENDED ON DECEMBER 31, 2015

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 financial statement of Trakcja PRKiI S.A. for the period from January 1, 2015 to December 31, 2015.

The annual financial statement for the period from January 1, 2015 to December 31, 2015 was prepared according to the International Financial Reporting Standards ("IFRSs") approved by the European Union and applicable as at December 31, 2015. Information included herein, is presented in the following sequence:

1. Profit and loss account for the period from January 1, 2015 to December 31, 2015 showing net profit amounting to PLN **35,161** thousand.
2. Total income report for the period from January 1, 2015 to December 31, 2015 showing total income amounting to PLN **35,000** thousand.
3. Balance sheet as per December 31, 2015 showing the assets and liabilities in amount of PLN **932,289** thousand.
4. Cash flow statement for the period from January 1, 2015 to December 31, 2015 showing the increase of cash balance by PLN **121,912** thousand.
5. Balance of changes in equity for the period from January 1, 2015 to December 31, 2015 showing the increase of equity by PLN **32,083** thousand.
6. Additional information and explanations.

The annual financial statement was prepared in thousand Polish Zloty, except for 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 differs slightly from the total amount given for such a column or row.

Jarosław Tomaszewski
President of the Management Board

Nerijus Eidukevičius
Vice President of the Management Board

Marek Kacprzak
Vice President of the Management Board

Paweł Nogalski
Vice President of the Management Board

Sławomir Raczyński
Vice President of the Management Board

Warsaw, March 21, 2016

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(amounts in thousand PLN, unless stipulated otherwise)

PROFIT AND LOSS ACCOUNT

	Note	1.01.2015 - 31.12.2015 Audited	1.01.2014 - 31.12.2014 Audited
Continued operations			
Sales revenues	**12**	**763 399**	**966 084**
Cost of goods sold	**13**	**(700 208)**	**(866 472)**
Gross profit (loss) on sales		**63 191**	**99 612**
Cost of sales, marketing and distribution		(1 718)	(717)
General and administrative costs		(33 332)	(32 635)
Other operating revenues	14	3 622	853
Other operating costs	15	(1 669)	(10 113)
Operating profit (loss)		**30 094**	**57 000**
Financial revenues	16	18 650	16 592
Financial costs	17	(7 106)	(14 328)
Gross profit (loss)		**41 638**	**59 264**
Income tax	18	(6 477)	(9 467)
Net profit (loss) from continued operations		**35 161**	**49 797**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
Net profit (loss) from discontinued operations		**35 161**	**49 797**
Net profit/(loss) in PLN per one share	**20**		
– basic from profit for the period		0,68	0,97
– basic from profit from continued operations		0,68	0,97
– diluted from profit for the period		0,68	0,97
– diluted from profit from continued operations		0,68	0,97

(amounts in thousand PLN, unless stipulated otherwise)

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Note	1.01.2015 - 31.12.2015 Audited	1.01.2014 - 31.12.2014 Audited
Net profit (loss) for the period		**35 161**	**49 797**
Other total income for the period			
Other comprehensive income that will not be reclassified into profit or loss under certain conditions:	**18.2**	**(161)**	**(1 441)**
Profit from revaluation referred into revaluation reserve		-	-
Actuarial gains/(losses)		(161)	(1 441)
Total other comprehensive income		**(161)**	**(1 441)**
TOTAL INCOME FOR THE PERIOD		**35 000**	**48 356**

(amounts in thousand PLN, unless stipulated otherwise)

BALANCE SHEET

ASSETS	Note	31.12.2015 Audited	31.12.2014 Audited
Non-current assets		**632 789**	**603 625**
Tangible non-current assets	21	117 408	113 429
Intangible assets	23	55 567	59 205
Investment properties	22	17 602	17 602
Investment in entities	24	412 572	382 090
Investments in affiliates	25	2 008	2 008
Other financial assets	27	4 671	9 482
Deferred tax assets	18.3	19 715	19 020
Prepayments	28	3 246	789
Current assets		**299 500**	**468 928**
Inventory	29	31 283	19 719
Trade and other receivables	30	101 581	380 808
Other financial assets	27	11 828	25 828
Cash and cash equivalents	31	136 025	14 113
Prepayments	28	7 206	2 897
Construction contracts	33	8 515	25 563
Assets held for sale	32	3 062	-
Total assets		**932 289**	**1 072 553**

EQUITY AND LIABILITIES	Note	31.12.2015	31.12.2014
Equity	**35**	**613 327**	**581 244**
Share capital		41 120	41 120
Share premium		309 984	309 984
Revaluation reserve		6 295	12 604
Other capital reserves		220 767	167 739
Retained earnings		35 161	49 797
Total equity		**613 327**	**581 244**
Long-term liabilities		**60 527**	**59 984**
Interest-bearing loans and borrowings	37	33 340	32 907
Provisions	36	4 690	1 638
Liabilities due to employee benefits	40	9 369	9 851
Provision for deferred tax	18.3	13 128	15 588
Short-term liabilities		**258 435**	**431 325**
Interest-bearing loans and borrowings	37	9 651	15 769
Bonds	38	-	32 360
Trade and other liabilities	41	182 398	286 185
Provisions	36	6 189	9 309
Liabilities due to employee benefits	40	6 722	6 944
Income tax liabilities		3 362	2 473
Other financial liabilities	39	148	38 338
Accruals		150	7
Construction contracts	33	49 815	39 940
Total equity and liabilities		**932 289**	**1 072 553**

(amounts in thousand PLN, unless stipulated otherwise)

CASH FLOW STATEMENT

	Note	For the period 12 months ended 31.12.2015 Audited	31.12.2014 Audited
Cash flows from operating activities			
Gross profit from continued operations		**41 638**	**59 264**
Gross profit (loss) from discontinued operations		-	-
Adjustments for:		**165 161**	**28 573**
Depreciation		10 798	11 647
FX differences		(856)	(118)
Net interest and dividends		(12 047)	(3 314)
Profit on investment activities		(190)	7 544
Change in receivables		279 495	(23 375)
Change in inventory		(11 564)	18 881
Change in liabilities, excluding loans and borrowings		(114 085)	18 389
Change in prepayments and accruals		(6 622)	1 038
Change in provisions		(69)	(1 911)
Change in construction contracts		26 922	2 196
Change in financial derivatives		-	(144)
Income tax paid		(7 533)	628
Other		912	(2 888)
Net cash flows from operating activities		**206 799**	**87 837**
Cash flows from investment activities			
Sale (purchase) of intangible assets and tangible non-current assets		(9 256)	(8 334)
- acquisition		(15 570)	(9 364)
- sale		6 314	1 030
Sale (acquisition) of shares and stocks in affiliates and subsidiaries	24	(19 574)	-
- acquisition		(19 574)	-
Financial assets		364	708
- granted or acquired		12 576	3 306
- repaid		(12 212)	(2 598)
Loans		16 248	(1 200)
- repaid		19 048	-
- granted		(2 800)	(1 200)
Dividend received		16 749	14 986
Interest received		2 880	121
Net cash flows from investment activities		**7 411**	**6 281**
Cash flows from financial activities			
Net proceeds from issue of shares	38	(32 536)	(18 541)
Proceeds on account of taken borrowings and loans		-	29 400
Repayment of borrowings and loans		(11 123)	(112 673)
Interest paid		(4 591)	(11 312)
Payment of liabilities under financial lease agreements		(5 117)	(4 243)
Inflows (outflows) from other financial liabilities	39	(38 931)	3 620
Net cash flows from financial activities		**(92 298)**	**(113 749)**
Total net cash flows		**121 912**	**(19 631)**
Net FX differences		-	-
Cash at start of period		**14 113**	**33 744**
Cash at end of period	31	**136 025**	**14 113**
- with limited access		928	981

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

(amounts in thousand PLN, unless stipulated otherwise)

STATEMENT OF CHANGES IN THE EQUITY

	Share capital	Share premium	Revaluation reserve	Other reserve capitals		Retained earnings	Total equity
Audited				**Actuarial gains/ (losses)**	**Results from previous years**		
As at 1.01.2015	**41 120**	**309 984**	**12 604**	**(4 106)**	**171 845**	**49 797**	**581 244**
Corrections of errors	-	-	-	-	-	-	-
Changes of accounting standards	-	-	-	-	-	-	-
As at 1.01.2015 after adjustments	**41 120**	**309 984**	**12 604**	**(4 106)**	**171 845**	**49 797**	**581 244**
Net profit for the period	-	-	-	-	-	35 161	35 161
Other comprehensive income	-	-	-	(161)	-	-	(161)
Distribution of profit	-	-	-	-	49 797	(49 797)	-
Transfer within equity	-	-	(1 296)	3 488	(2 192)	-	-
Settlement of the acquisition of the shares of PRK 7 Nieruchomości	-	-	(4 995)	-	2 042	-	(2 953)
Other changes	-	-	(18)	-	54	-	36
As at 31.12.2015 Audited	**41 120**	**309 984**	**6 295**	**(779)**	**221 546**	**35 161**	**613 327**
Modified*							
As at 1.01.2014	**41 120**	**310 102**	**14 945**	**(2 665)**	**147 881**	**26 220**	**537 603**
Corrections of errors	-	-	-	-	-	-	-
Changes of accounting standards	-	-	(1 348)	-	(866)	(1 412)	(3 626)
As at 1.01.2014 after adjustments	**41 120**	**310 102**	**13 597**	**(2 665)**	**147 015**	**24 808**	**533 977**
Net profit for the period	-	-	-	-	-	49 797	49 797
Other comprehensive income	-	-	-	(1 441)	-	-	(1 441)
Distribution of profit	-	-	-	-	24 808	(24 808)	-
Other changes	-	(118)	(993)	-	22	-	(1 089)
As at 31.12.2014 Audited	**41 120**	**309 984**	**12 604**	**(4 106)**	**171 845**	**49 797**	**581 244**

**) Detailed information concerning modification of data were described in Notes 9 and 10 to the financial statements for year 2014.*

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

This financial statement includes the period of the financial year that ended on December 31, 2015 and comparable data.

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

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

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

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

On December 19, 2013, the District Court for the capital city Warsaw in Warsaw, 12th Economic Division of the National Court Register, registered the merger Trakcja S.A. as the acquiring company with Przedsiębiorstwo Robót Kolejowych i Inżynieryjnych S.A. as the acquired company. The merger was settled and recognized at December 31, 2013 in the accounting books of the Company to which the property of the merged companies passed to, i.e. Trakcja S.A. by means of shares bonding method.

On December 19, 2013, the District Court for the capital city Warsaw in Warsaw, 13th Economic Division of the National Court Register, registered the change of name of the Company from Trakcja S.A. to Trakcja PRKiI S.A. This change was registered under Resolution No. 4 of the Extraordinary Shareholders' Meeting of November 27, 2013.

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

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

Time of the Company's operation is indefinite.

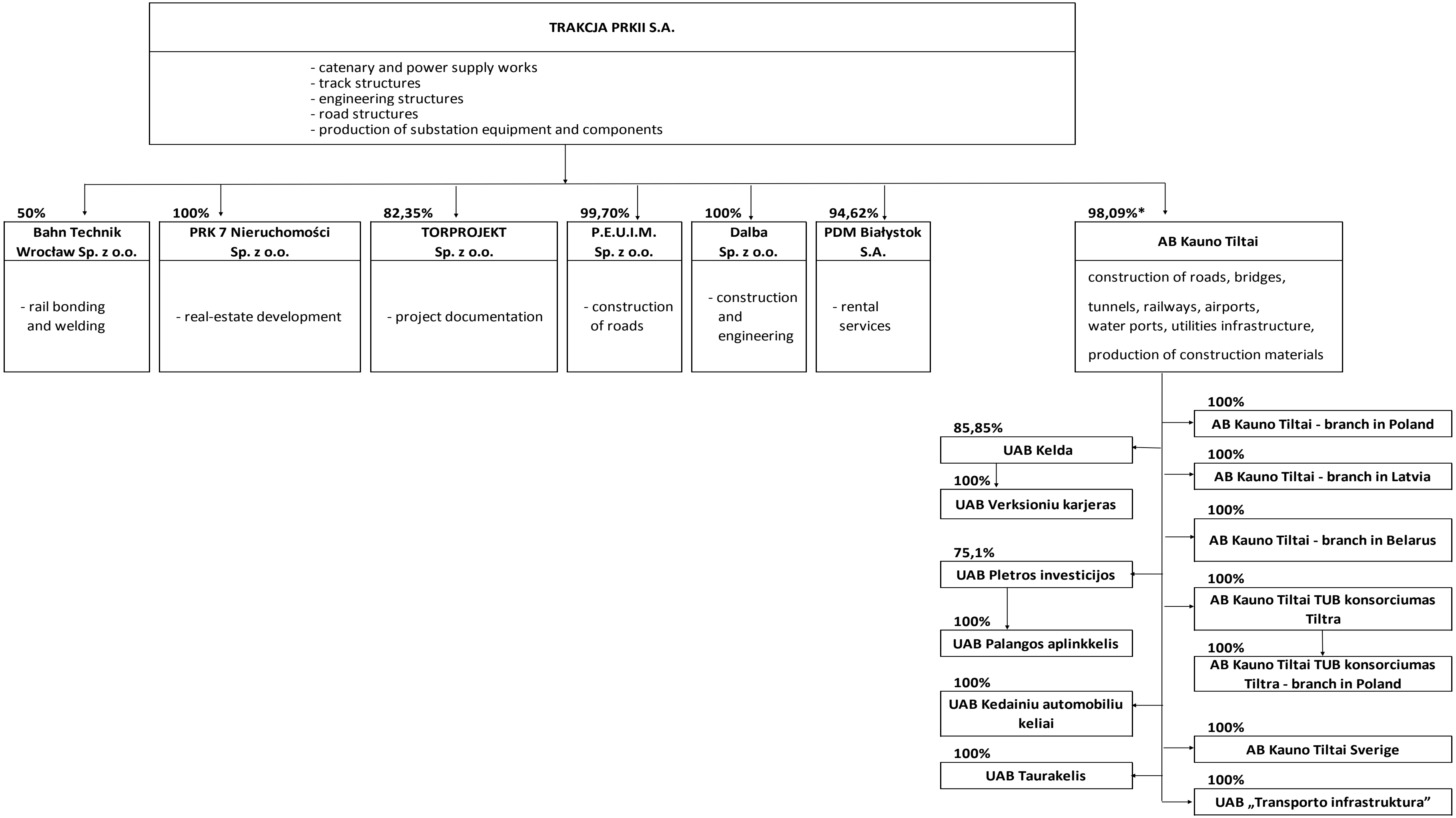
According to the Statute, the Company is engaged in specialist construction and installation services within the scope of railway and tram lines electrification. The Company specializes in the following types of activity:

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

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

2. Composition of the Group

Trakcja PRKiI S.A. is the Parent company of Trakcja Group. The composition and structure of Trakcja Group as at December 31, 2015 is presented below 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 indirect share is a result of the acquisition of shares by a subsidiary.

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

The companies that are included in full consolidation are:

PRK 7 Nieruchomości Sp. z o.o.

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

Torprojekt Sp. z o.o.

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

Przedsiębiorstwo Eksploatacji Dróg i Mostów Sp. z o.o. („PEUiM”)

It is a road-construction company which operates mainly in the north-eastern part of Poland. PEUiM company has been established in 1960 in Białystok. The company specializes in construction of roads and pavements, installation of signalling devices and warning devices that protect roads. Additionally, the company manufactures bitumen, concrete and other construction materials.

Dalba Sp. z o.o.

It is a Białystok-based company that specializes in engineering works, especially in installation of sanitary infrastructure for roads and streets.

PDM Białystok S.A.

It is a Białystok-based company that provides rental services of equipment, rooms and tools as well as is a provider of materials to PEUiM.

AB Kauno Tiltai Group

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

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

AB Kauno Tiltai Group is composed of the following entities:

- UAB Kelda – a subsidiary company with seat in Vievis (Lithuania), which is the parent company of
    - UAB Verksioniu karjeras (Lithuania) – a subisidiary company with seat in Bagoteliu K (Lithuania);
- UAB Taurakelis – a subsidiary company with seat in Taurage (Lithuania);
- UAB Kedainiu Automobiliu Keliai – a subsidiary company with seat in Kedainiai (Lithuania);
- TUB Konsorciumas Tiltra – a subsidiary company with seat in Kaunas (Lithuania);
- UAB Pletros investicijos – a subsidiary company with seat in Vilnius (Lithuania);
- UAB Palangos aplinkkelis – a subsidiary company with seat in Vilnius (Lithuania) founded to carry out the agreement of public-private partnership;

- AB Kauno Tiltai office in Poland – a branch of AB Kauno Tiltai company with seat in Poland;
- AB Kauno Tiltai office in Latvia – a branch of AB Kauno Tiltai company with seat in Latvia;
- AB Kauno Tiltai office in Belarus – a branch of AB Kauno Tiltai company with seat in Belarus;
- AB Kauno Tiltai Sverige – a subsidiary company with seat in Malmo (Sweden);
- UAB "Transporto infrastruktura" – a subsidiary company with seat in Vilnius (Lithuania).

The following entities are consolidated by equity method:

Bahn Technik Wrocław Sp. z o.o.

Trakcja PRKiI S.A. is the owner of 50% of share capital of Bahn Technik Wrocław Sp. z o.o. ("BTW"). Other 50% of share capital is owned by company of Deutsch law with business name of Leonhard Weiss GmbH & Co with seat in Göppingen (since 19 August 2008). The Company is co-controlling BTW and classifies the company as a joint venture in accordance with IRFS 11.

The scope of activity of BTW includes the sale of level crossing panels type Strail of Gummiwerk Kraiburg Elastik GmbH, thermite welding, repair and renovation of crossovers, renovation of railway and tramway crossings, production of isolated glue-tensed joints of S type, sale of welding materials of Railtech company, sale of rail oilers of Perker SR company. Additionally, since December 2015 BTW owns GOTTWALD crane and track stabilizator DGS. BTW provides its services in Poland and abroad.

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

Changes in Trakcja Group

In the period from January 1, 2015 to December 31, 2015 the change in the structure of Trakcja Group took place.
On July 14, 2015 the subsidiary AB Kauno Tiltai opened its branch in Belarus.
On December 3, 2015 Trakcja PRKiI acquired for the total amount PLN 10,253,606:

- from subsidiary AB Kauno Tiltai TUB Konsorciumas "Tiltra" of 415 shares in the share capital of the PEUiM company (belonging to Trakcja Group) of nominal value PLN 835 each for the total nominal value of PLN 346,525;
- from subsidiary UAB Taurakelis of 100% shares, that is 2,210 shares in the share capital of Dalba company (belonging to Trakcja Group) of nominal value PLN 500 each for the total nominal value of PLN 1,105,000;
- from subsidiary UAB Taurakelis of 7,380,000 ordinary registered shares series A and 53,000 ordinary registered shares series B in the share capital of the PDM Białystok company (belonging to Trakcja Group) of nominal value PLN 1 each for the total nominal value of PLN 7,433,000.

The above transactions were concluded within Trakcja Group (the parties were subsidiaries of which Trakcja PRKiI S.A. has control) and did not have impact on the consolidated financial statements of Trakcja Group. Thanks to the transactions performed Trakcja PRKiI S.A. became a direct owner of the companies with seat in Białystok: PEUiM, Dalba and PDM Białystok that operate in road construction and modernization business (earlier Trakcja PRKiI S.A. had indirect control over them via Lithuanian subsidiary AB Kauno Tiltai).

3. Composition of the Management Board

As at December 31, 2015, the Management Board of the Company consisted of the following persons:

- Jarosław Tomaszewski — President of the Management Board,
- Nerijus Eidukevičius — Vice President of the Management Board,
- Marek Kacprzak — Vice President of the Management Board,

- Paweł Nogalski Vice President of the Management Board,
- Sławomir Raczyński Vice President of the Management Board.

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

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

On February 19, 2015, the Supervisory Board of the Company accepted the statement of Mrs Marita Szustak on withdrawal of resignation from her functions of a member of the Company's Management Board. On May 28, 2015 the Supervisory Board received from Mrs Marita Szustak the statement on resignation from her functions of a member of the Company's Management Board, Vice President of the Management Board.

On June 9, 2015 the Supervisory Board pursuant to the resolution no. 4 appointed Mr. Jarosław Tomaszewski, an Acting President to date, to the position of the President of the Management Board – Chief Executive Officer.

On June 9, 2015 the Supervisory Board pursuant to the resolution no. 5 appointed Mr. Paweł Nogalski to the position of the Vice President of the Management Board – Financial Director.

On June 9, 2015 the Supervisory Board pursuant to the resolution no. 6 appointed Mr. Marek Kacprzak to the position of the Vice President of the Management Board – Marketing and Preparation of Production Director.

On June 9, 2015 the Supervisory Board pursuant to the resolution no. 7 appointed Mr. Sławomir Raczyński to the position of the Vice President of the Management Board – Production Director.

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

4. Composition of the Supervisory Board

As at December 31, 2015, the Supervisory Board of the Company consisted of the following persons:

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

Within the period from January 1, 2015 to December 31, 2015 and after the balance sheet date, the following changes in the Supervisory Board composition took place:

On June 25, 2015 the Annual Shareholder Meeting pursuant to resolution no. 20 recalled the member of the Supervisory Board Mr. Julijus Stalmokas from the Supervisory Board.

On June 25, 2015 the Annual Shareholder Meeting pursuant to resolution no. 21 appointed Mr. Michał Hulbój to the Supervisory Board as member of the Supervisory Board.

On September 18, 2015 the Management Board of the Parent company received a resignation statement of Mr. Maciej Radziwiłł from the position of the Supervisory Board member with effect on September 24, 2015.

On October 5, 2015 the Shareholder of the Company, COMSA S.A., pursuant to Art. 13 par. 4 of the Company's Statute appointed Mr. Dominik Radziwiłł as member of the Supervisory Board.

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

5. Approval for publication of the annual financial statement

This annual financial statement has been approved by the Management Board for publication on March 21, 2016.

6. Significant values based on professional judgment and estimates

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

In case that a given transaction is not regulated by any standard or interpretation, the Management Board is guided by its subjective assessment in determination and use of the accounting policies that will ensure that the financial statement will contain relevant and reliable information and will:

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

- reflect the economic substance of transactions,

- be objective,

- be drawn up in accordance with the principle of conservative valuation and

- be complete in all material aspects.

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

6.1. Professional judgment

Fair value of financial instruments

Fair value of the financial instruments for which active market does not exist, is estimated by means of appropriate valuation methods. When selecting the adequate methods and assumptions, the Company follows its professional judgement. Assumptions applied for this purpose were presented in Note 46 of Additional information and explanations.

Classification of lease agreements

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

Investment property

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

Recognition and loss of control over related entities

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

Control over related entities

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

Trakcja PRKiI S.A. is the owner of 100% of share capital of PRK 7 Nieruchomości Sp. z o.o. and is exercising the full control over this subsidiary. Trakcja PRKiI S.A. company became the owner of PRK 7 Nieruchomości Sp. z o.o. due to merger of Trakcja S.A. and PRK 7 S.A. company which itself was the owner of PRK 7 Nieruchomości Sp. z o.o.

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

Trakcja PRKiI owns 99.70% of the share capital of PEUiM Sp. z o.o. and is exercising the full control over the subsidiary. Trakcja PRKiI became the owner of PEUiM through acquisition of its shares.

Trakcja PRKiI owns 100% of the share capital of Dalba Sp. z o.o. and is exercising the full control over the subsidiary. Trakcja PRKiI became the owner of Dalba through acquisition of its shares.

Trakcja PRKiI owns 94.62% of the share capital of PDM Białystok S.A. and is exercising the full control over the subsidiary. Trakcja PRKiI became the owner of PDM Białystok through acquisition of its shares.

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

Classification of mutual contractual arrangements

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

6.2. Uncertainty of assumptions and estimates

Recognition of revenues

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

Provisions for correction works

Provisions for correction works were estimated on the basis of knowledge of the managers of individual construction sites (contracts) about necessity or probable possibility of execution of additional works for the Ordering Party that constitute the fulfilment of the guarantee's conditions. The Company is obliged to provide guarantee for its services. The amount of reserves for correction additional works depends on the segment in which the Company operates and is based on the Company's historical data. This amount is analyzed in each individual case and may be increased or decreased when justified. Any change of these estimates influences the value of provision. The balance sheet value of provisions for correction works as at December 31, 2015 was presented in Note 36 of Additional information and explanations.

Provisions for penalties

The Company recognizes provisions for penalties in the executed contracts in the amount possible and probable to incur. The provisions are created on the basis of the documentation made during the execution of the contract and the opinion of the lawyers who participate in the negotiations and who estimate possible future Company's liabilities on the basis of progress of negotiations. The balance sheet value of provisions for penalties as at December 31, 2015 was presented in Note 36 of Additional information and explanations.

Valuation of liabilities due to employee benefits

Liabilities due to employee benefits concerning retirement severance payments and jubilee awards were estimated on the basis of 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 determination of the amount of the liability is the discount rate and the average expected increase of salaries. Assumptions applied for this purpose and the balance sheet value of liabilities due to employee benefits as at December 31, 2015 were presented in Note 40 of Additional information and explanations.

Component of deferred tax assets

The Company recognizes a component of deferred tax assets on the basis of the assumption that in the future there will be achieved tax profit which will allow utilization of this component. Deterioration of the obtained tax results could cause in the future that such assumption would be unjustified. The Management Board verifies adopted estimations concerning probability of recovering deferred tax assets on the basis of changes of factors taken into account, new information, and past experience. Probability of realizing the deferred tax assets with future tax profits is based on the Company's budgets. The Company recognized in the books the deferred tax asset up to the amount, to which it is probable that it will generate taxable profit, which will allow offsetting negative temporary differences. The balance sheet value of deferred tax asset as at December 31, 2015 was presented in Note 18.3 of Additional information and explanations.

Depreciation rates

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

Investment property

Investment property is valued at fair value. Valuations of investment property were prepared by independent experts with valid qualifications to perform such valuations. The selection of the approach and the method was driven by the principles defined in the IFRS 13, Act on real properties management and in the Regulation of the Council of Ministers on detailed rules of valuation of real properties and on the rules and mode of preparing appraisal reports. Valuation of fair value of investment property was subject to such valuation techniques that maximize the use of observable data. The detailed information concerning balance sheet value of investment property as at December 31, 2015 was presented in Note 22 of Additional information and explanations.

Impairment of financial assets

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

Approach to the investment in AB Kauno Tiltai

The Company does not perform identification of the cost of investment in the individual companies within the investment made on April 19, 2011 that concerned the acquisition of shares of several companies, i.e. AB Kauno Tiltai, Lithold AB and Silentio Investments Sp. z o. o. This investment was undertaken within one joint agreement for the entire transaction. The above agreement set out the total mode of payment for the whole package of the acquired companies, thereby defining the total purchase price of the whole package of companies and not for each separate company. The Management Board can't see practical possibility of dividing the purchase price paid. The Company performs an annual impairment test of the investment as a whole. The balance sheet value of the investment in AB Kauno Tiltai as at December 31, 2015 was presented in Note 24 of Additional information and explanations.

Impairment of inventory

The Management Board assesses whether there are prerequisites indicating a possibility of an impairment of inventory pursuant to Note 8.8. Statement that an impairment exists requires estimation of the net values possible to obtain for inventory, which lost its utility attributes or usability. Additional information was presented in Note 29.

Recoverability of trade receivables and other receivables

The Management Board assesses whether there are prerequisites indicating a possibility of an impairment of trade receivables and other receivables. The value of receivables is revaluated through performing a write-down which considers the degree of probability of their payment. The value of the write-down depends on the probability of payment of the receivable and on the detailed analysis of significant items comprising the receivable. Depending on the type of client and the source of receivable, assessment of the probability of recovery of the receivable is performed on the basis of individual analysis of certain balances or on the basisi of statistical repayment indicators estimated for individual age groups of receivables. Repayment indicators are defined on the ground of observed repayment history and client's behavior as well as upon consideration of other factors that in the Management Board's opinion can affect recoverability of current receivables. Additional information was presented in Note 30.

Valuation of fair value and procedures related to such valuation

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

7. Basis of preparation of the annual financial statement

The annual financial statement has been prepared according to the historical cost principle except for the investment property that was valued at fair value.

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

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

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

7.1. Declaration of conformity

The annual financial statement was prepared according to the International Financial Reporting Standards (IFRSs) approved by the European Union, published and applicable as at December 31, 2015. The standards which have not come yet into force on December 31, 2015 and were not approved by the European Union at the day of preparing this financial statement are presented in Note 9.
IFRSs cover the standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee ("IFRIC").

7.2. Currency of measurement and currency of financial statements

The currency of measurement of the Company and the reporting currency in this annual financial statement is the Polish Zloty.

(amounts in thousand PLN, unless stipulated otherwise)

8. Significant accounting principles

8.1. Conversion of item to foreign currency

Functional currency of the Company is the Polish Zloty.

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

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

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

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

Exchange rate on the reporting date	**31.12.2015**	**31.12.2014**
USD/PLN	3,9011	3,5072
EUR/PLN	4,2615	4,2623
LTL/PLN	-	1,2344
PLN/SEK	0,4646	0,4532
PLN/BYR	0,0002	0,0003

The average exchange rate, calculated as the arithmetic average of the rates prevailing on the last day of each month during the	**31.12.2015**
USD/PLN	3,7928
EUR/PLN	4,1848
PLN/SEK	0,4491
PLN/BYR	0,0002

8.2. Tangible fixed assets

8.2.1. Fixed assets

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

In the balance sheet value of the fixed assets are included costs of regular and relevant overviews that are necessary to prevent these assets from defects and which value in the subsequent reporting periods significantly differs. The value of such overview is amortized in the period to the next overview or to the end of usability period, depending on which moment comes first. Possible residual balance sheet value of the previous overview is eliminated from the balance sheet value of the fixed asset.

Fixed assets (excluding own lands that do not serve for open-pit output of minerals) are amortized using the linear method within the period of expected economic life. The period of expected economic life of each asset is specified at the day of taking over the asset for use. Fixed assets used on the basis of the financial lease agreement are amortized in the way determined for own assets. When there is no certainty about if the ownership right of the subject of the agreement has been transferred, then fixed assets used on the basis of the financial lease agreement are amortized within the period of expected economic life or within the period for which the financial lease agreement is concluded, depending on whichever is shorter. The fixed assets which are not handed over directly for use, but which require previous assembling, adaptation, other additional works or expenditures, are included in the fixed assets in progress until the moment of their transfer for use.

(amounts in thousand PLN, unless stipulated otherwise)

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
- metalworking machines	from 5 to 14 years
- compressor sets	from 10 to 20 years
- power devices	13 years
- heavy duty construction machines	from 5 to 16 years
- small equipment and machines	7 years
- technological wagons	from 14 to 20 years
- storage, workshop, utility wagons	from 14 to 20 years
- storage, utility containers	from 5 to 25 years
- passenger vehicles and trucks (up to 3.5 t)	from 5 to 7 years
- trucks (above 3.5 t)	from 5 to 10 years
- office and utility camp	from 10 to 20 years.

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

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

8.2.2. Fixed assets in progress

Fixed assets in progress are assessed in the amount of total costs which are in the direct relation with their purchase or manufacturing. Such costs include net financial costs incurred, paid or accrued, (which are related to operation and securing the liabilities that finance the fixed assets in progress) up to 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 net sales price that can be obtained.

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

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

8.2.3. Right of perpetual usufruct of land

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

- PWUG is obtained free of charge based on the administrative decision – the right is treated as the operating lease and is included as off-the-balance-sheet item.
- PWUG is acquired for money from the third parties or through acquisition of subsidiary companies - the right is included in the balance sheet in the item "Tangible fixed assets" as lands at the purchase

price reduced by amortization expenses. Amortization expenses are included in the profit and loss account as general and administrative costs.

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

8.2.4. Leasing

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

Fixed assets which are the subject of the financial lease agreement are amortized in the way determined for own assets. When there is no certainty about if the ownership right of the subject of the agreement has been transferred, then fixed assets used on the basis of the financial lease agreement are amortized within the period of expected economic life or within the period for which the financial lease agreement is concluded, depending on whichever is shorter.

The lease agreements, according to which the lessor maintains basically whole risk and all benefits resulting from possessing the leased object, are included to the operating lease agreement. The operating lease fees as well as later lease installments are included as costs in the profit and loss account by using the linear method during the period of the lease.

8.2.5. Shares in subsidiary entities and co-controlled entity

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

8.2.6. Impairment of non-financial assets

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

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

At each balance sheet date, the Company evaluates whether there are any premises showing that the write-down due to loss of value, which was included in the previous periods in relation to the given assets component is redundant or should be reduced. If so, the Company evaluates the recoverable value of such asset component. The write-down resulting from loss of value which was recognized previously is reversed but only if since the time of the last write-down a change of estimated values (which were used to fix the recoverable value of the given asset component) took place. In such a case, the balance sheet value of the asset component is increased to the amount of its recoverable value. This increased value cannot exceed the balance sheet value of the asset component that would be fixed (after deducting the depreciation), if in the previous years the write-down resulting from loss of value of the asset component was not posted at all. The inversion of the write-down resulting from loss of value of the asset component is immediately included as revenue in the profit and loss account unless the given asset component is recognized in the overestimated value. In this case such an inversion is treated as an increase of revaluation capital. After inverting thewrite-down, in the next periods, the amortization expense concerning the given component is adjusted in a way allowing within the remaining use period of this asset component to systematically write down its verified balance sheet value reduced by the final value.

8.2.7. Costs of external financing

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

8.3. Assets for sale

This group of assets includes components of tangible fixed assets and investment property if their balance sheet value is recovered primarily via sale and not via their prolonged use. The Group values the component of fixed assets (classified as asset for sale) in the lower amount of the two: balance sheet value and fair value reduced by costs of sale while the depreciation of such assets was discontinued. Assets for sales are assets immediately available for sale in its current state on the standard conditions that are customarily obligatory for such type of assets, sale is highly probable and the management has committed to seek the buyer actively.

Assets classified as assets for sale are recognized as a separate item in the balance sheet.

8.4. Investment property

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

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

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

Determination of fair value can consist of:

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

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

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

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

8.5. Intangible assets

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

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

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

Intangible assets of an indefinite period of use and those which are not used, are being verified annually for possible loss of value in relation to the individual assets or to the cash-generating unit.

8.5.1. Cost of research and development work

The costs of research works are charged to costs in the profit and loss account at the moment they are incurred. Outlays incurred for development works within given project are transferred to the following period, if it is expected that they will be recovered in the future. After initial posting of outlays for development works, the model of historical cost is applied, which requires that assets components are posted according to the purchase prices reduced by the accumulated amortization and by accumulated write-downs resulting from loss of value. Any outlays transferred to the following period are amortized during the expected period of receiving revenues from sales coming from the given project.

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

At each balance sheet date, costs of unfinished development works, are presented among intangible assets as a separate item “Intangible assets in progress”.

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

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

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

8.5.2. Goodwill

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

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

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

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

8.6. Financial instruments

The financial assets are classified into the following categories:

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

The financial liabilities are classified as follows:

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

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

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

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

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

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

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

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

The financial asset component is removed from the balance, when the Company loses control over contractual rights that compose the given financial instrument. This is usually in case of sale of the instrument or when all cash flows attributed to the given instrument pass to an independent third party. The component of financial assets is recognized in the balance sheet when the Company becomes a party to the agreement (contract) from which this component of assets arises.

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

Impairment of financial assets

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

Financial liabilities

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

Financial liabilities assessed at fair value through the financial result

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

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

Financial liabilities assessed at amortized cost

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

8.7. Derivative financial instruments

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

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

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

8.8. Inventory

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

The manufacturing cost does not include the following costs:

- costs resulting from unused production capacities and production losses,

- storage costs, unless its incurring is necessary during the production process,

- margin on internal turnover (margin on services performed by auxiliary business for the main business as well as margin on internal sales among different divisions of the main business), that is subject to elimination in relation to the costs of internal turnover,

- overheads and selling, marketing and distribution costs.

Inventory expense is assessed respectively at prices (costs) of these assets components, which the entity purchased (manufactured) at the earliest by applying FIFO (First-In-First-Out) method. The write-downs on the inventory made in relation to permanent loss of value or caused by assessment adjusting their value to the achievable sale prices, reduce the value of item in the balance sheet and are included in the cost of goods sold. These are specific write-downs concerning the given items of the inventory.

The inversion of the write-downs on the inventory value is recognized as the reduction of the cost of goods sold.

The achievable sale price is the estimated sale price received during the usual business, reduced by the costs of finishing and by estimated costs that are necessary to make the sale.

8.9. Trade receivables and other receivables

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

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

8.10. Cash and cash equivalents

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

8.11. Equity

Equity is posted in the accounting books and classified by types and according to the principles stipulated by the law and the Statute of the Company.

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

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

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

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

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

The other reserve capitals include:

- results from previous years,
- actuarial gains (losses).

Retained earnings include the profit of the current reporting period.

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

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

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

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

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

8.13. Liabilities from supplies and services and other liabilities

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

The financial liabilities which are not assessed at fair value through the financial result are assessed at the balance sheet date, according to the amortized cost (i.e. discounted by using the effective interest rate). In case of short-term liabilities with maturity up to 365 days, this assessment corresponds to the amount that is required to be paid.

8.14. Provisions

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

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

8.14.1. Severance retirement and pension payments and jubilee awards

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

8.15. Prepayments and accruals

Prepayments and accruals include in particular:
- rents paid in advance,
- insurances,
- subscriptions,
- periodical repairs,
- outsourced services paid in advance that will be performed in the future periods.

Settlement of active prepayments and accruals takes place appropriately to the flow of time or to the amount of benefit. Time and method of settlement is justified by the nature of settled costs, and this settlement must be cautious.

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

8.16. Incomes and costs

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

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

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

8.16.1. Sale of goods and products

The revenues are posted if the significant risk and benefits resulting from the property right to the goods and products were passed on to the purchaser and when the amount of incomes can be reliably assessed.

8.16.2. Construction contract

Incomes from not completed long-term service performed to a large extent at the balance sheet date are set at the balance sheet date proportionally to the degree of the service progress, if the income amount can be reliably established. The degree of 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 total costs of the execution of service or by the share of the performed work in the total workload.

Progress estimated according to the above mentioned manner is used to specify the sale value in relation to the incomes value resulting from the stipulations of the concluded contract. Difference between the estimated (booked) sales value and the value invoiced to the service receivers is included in the item "Construction contracts", respectively in assets (in case of positive difference) or in liabilities (in case of negative difference).

If the degree of progress of not completed service cannot be reliably estimated at the balance sheet date, the income is fixed as the amount of costs incurred within the given reporting period, not higher however than costs to be probably compensated in the future by the Ordering Party.

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

Production costs of a not completed service cover the costs incurred since the date of concluding given contract to the balance sheet date. Production costs incurred before conclusion of the contract, related to execution of its object are included in the assets, if the compensation of such costs in the future - by the revenues obtained from the Ordering Party - is probable. Then they are posted in the production costs of a not completed (in progress) construction service.

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

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

Principles of calculation of the estimated revenues on sale:

The revenues on performing a construction and installation service (work) within the not completed contract are actually incurred that are costs increased by the assumed margin (calculated as %) on the given contract.

Actual incomes booked in the given period are adjusted to the estimated incomes, in order to receive the margin stipulated in the given contract, according to the below formula:

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

where:

Su – estimated (established) sale
K – incurred actual costs
m – assumed margin (as %) for the given contract, resulting from the prepared cost budget

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

$$M = (Pp – Kp)/Pp$$

where:

Pp – conversion incomes
Kp – conversion costs

Conversion incomes (Pp) are calculated according to the following 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 of the given month (announced by the National Bank of Poland)

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

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

where:

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

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

8.16.3. Interests

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

8.16.4. Dividends

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

8.17. Taxes

8.17.1. Current tax

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

8.17.2. Deferred tax

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

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

- except for the situation where the reserve for deferred tax is created as a result of the initial posting of goodwill or the initial posting of asset component or liability in case of transaction that does not represent the merger of economic entities and which at the moment of its conclusion has no influence on the gross financial result as well as on the taxable income or tax loss and
- in case of positive temporary differences resulting from the investment in subsidiaries or affiliated entities and from shares in joint ventures – except for the situation when the dates of inverting the temporary differences are under investor's control and when it is probable that in the predictable future, the temporary differences will not be inverted.

The deferred tax assets are posted in relation to all negative temporary differences as well as in relation to the unused tax assets and unused tax losses that were transferred to the next years in such an amount that makes it probable to achieve the taxable income that would allow to use the above mentioned differences, assets and losses:

- except for the situation when the assets resulting from the deferred tax related to negative temporary differences are created as a result of the initial posting of the assets component or liability in case of transaction that does not represent the merger of economic entities and at the moment of its conclusion the assets have no influence on the gross financial result as well as on the taxable income or tax loss and

- in case of negative temporary differences resulting from the investment in subsidiaries or affiliated entities and from shares in joint ventures, the deferred tax assets component is posted in the balance sheet only in the amount that makes it probable that in the predictable future the above mentioned temporary differences will be inverted and the taxable income will be achieved which will allow to deduct negative temporary differences.

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

The deferred tax assets and the reserve for the deferred tax are assessed by using the tax rates which - according to expectations - shall be in force in the period when the assets component will be realized or reserve will be solved, taking as the basis the tax rates (and tax regulations) applicable at the balance sheet date or those with certain applicability in the future at the balance sheet date.

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

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

8.18. Goods and services tax

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

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

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

8.19. Net profit per share

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

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

9. Standards and their changes which were accepted by IASB but not approved yet by EU

In this standalone financial statement the Group decided not to early adopt the published standards or their interpretations before they come into force.

There are no significant differences between IFRSs in the form approved by the EU and regulations accepted by the International Accounting Standards Board (IASB) except for the below standards and changes in them which as of March 21, 2016 have not been adopted yet for use:

- *IFRS 9 Financial instruments*

The new standard was published on July 24, 2014 and applies to annual periods starting from January 1, 2018 or later. The purpose of the standard is to organize the classification of financial assets and to introduce uniform rules for the approach to the assessment of impairment concerning all financial instruments. The standard introduces also a new model of hedge accounting in order to unify the rules of recognition of risk-management information in the financial statements.
The Group will apply new standard starting from January 1, 2018.
At the day of preparation of this financial statement, it is not possible to reliably estimate the influence of using a new standard.

- *IFRS 14 Regulatory deferral accounts*

The new standard was published on January 30, 2014 and applies to annual periods starting from January 1, 2016 or later. The objective of this standard is to enable the entities adopting IFRSs for the first time – and which recognize currently regulatory deferral accounts in line with their previous generally accepted accounting principles – continuity of recognition of these accounts after passing to IFRSs.
The Group will apply the new standard from January 1, 2016.
The application of the changed standard will not influence the Group's financial statements.

- *IFRS 15 Revenue from contracts with customers*

The new unified standard was published on May 28, 2014 and applies to annual periods starting from January 1, 2018 or later (on 11 September 2015 the IASB postponed the effective date of IFRS 15). This standard replaces IFRS 18 "Revenue", IFRS 11 "Construction Contracts" and many interpretations concerning revenue recognition. The new standard applies to almost all contracts with customers (major exceptions relate to lease agreements, financial instruments and insurance contracts). The fundamental principle of the new standard is to recognize revenue in a way that reflects transfer of goods or services to the customers and in such an amount which reflects the amount of remuneration (that is payment), to which the Company expects to acquire right in exchange for goods or services. The standard provides also guidelines how to recognize transactions that were not regulated in detail by the present standards (for example revenue on services or modifications of agreements), as well as provides more extensive explanations about how to recognize multi-element contracts.
The Group will apply the new standard from January 1, 2018.
At the day of preparing these financial statements, it is not possible to reliably estimate the influence of a new standard application. The Group is in the process of analyzing the effects of implementation of the new standard.

- *IFRS 16 Leases*

The standard was published on January 13, 2016 and applies to annual periods starting from January 1, 2019 or later. According to IFRS 16 the lessee recognizes the right to use the asset component and liability from lease. The right to use the asset component is treated similarly as other nonfinancial assets and is amortized respectively. Lease liabilities are initially assessed as the present value of lease payments made within the lease period, discounted at a rate contained in lease – if determination of this rate is not difficult. If this rate cannot be determined easily, the lessee applies the marginal interest rate. The Lessor classifies lease agreements in the same way as in line with IFRS 17, that is as operating lease or financial lease. The lessor classifies lease as financial if - in principle - full risk and benefits resulting from the possessed assets are transferred. In other situations the lease is treated as operating. In the financial lease the lessor recognizes financial incomes throughout the lease period on the basis of constant periodic rate of return on net investment. The lessor recognizes operating lease payments as revenue in a linear way or in other systematic way if it reflects better the pattern of receiving benefits from use of reference assets.
The Group will apply the new standard from January 1, 2019.
At the day of preparing these financial statements, it is not possible to reliably estimate the influence of a new standard application.

- *Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures": by Sale or Contribution of Assets between an Investor or its Associate or Joint Venture.*

Changes to IFRS 10 and IAS 28 were published on September 11, 2014 and apply to annual periods starting from January 1, 2016 or later. Changes further specify the accounting for transactions, where the parent entity loses

control over the subsidiary which does not constitute a "business" pursuant to the definition in IFRS 3 "Business Combinations", by way of a sale of all or some of the interests in such a subsidiary to the associate or a joint venture, recognized by the equity method.
The Group will apply amended standards, starting from January 1, 2016.
At the day of preparing these financial statements, it is not possible to reliably estimate the influence of application of changed standards.

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

Investment entities: application of exemption from consolidation were published by the IASB on 18 December, 2014. The below mentioned changes to IFRS 10, IFRS 12 and IAS 28 introduce clarifications relating to settlement of investment entities. Changes also provide, in specific circumstances, some exemptions in this aspect. Changes apply to annual periods starting from January 1, 2016 or later.
The Group will apply amended standards, starting from January 1, 2016.
The application of amended standard will not have any significant influence on the Company's financial statements.

- *Amendments to IAS 7 "Statement of Cash Flows" - "Initiative in relation to disclosures"*

Changes were published by the IASB on January 29, 2016 and apply to annual periods starting from January 1, 2017 or later. The objective of changes to IAS 7 that further specify the standard is to improve information about the financial operations of the entity, transferred to the users of the financial statements. Changes require that the entity should present disclosures that enables the users of the financial statements the assessment of changes in liabilities resulting from financial activity, including both cash flows as well as noncash flows.
The Group will apply amended standards, starting from January 1, 2017.
The application of amended standard will not have any significant influence on the Company's financial statements.

- *Amendments to IAS 12 "Income taxes" - "Recognition of Deferred Tax Assets for Unrealised Losses"*

Changes were published by IASB on January 19, 2016 and apply to annual periods starting from January 1, 2017 or later. Changes in IAS 12 explain the manner of recognition of deferred tax assets in relation to debt instruments assessed at fair value.
The Group will apply amended standards, starting from January 1, 2017.
The application of amended standard will not have any significant influence on the Company's financial statements.

At the same time, outside the regulations approved by the EU, remains the hedge accounting of portfolio of financial assets and liabilities, principles of which were not approved for application in the EU.
According to the estimates of the entity, the application of the hedge accounting of portfolio of financial assets or liabilities in line with IAS 39 "Financial Instruments: Recognition and Measurement" would not have any significant influence on the financial statement, if it would have been approved for application at the balance sheet date.

9.1. Changes in standards that have already been published and have come into force for annual periods starting from February 1, 2015 or later

By approving these financial statements the Company did not adopt the following changes in the standards that were published and approved to use in the EU and which have come into force for annual periods starting from February 1, 2015 or later. The Company will apply the standards presented below for the annual period starting from January 1, 2016:

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

On December 12, 2013 other changes to seven standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) were published. Their objective is to eliminate inconsistencies and to improve precision of wording. These changes were approved by the EU on December 17, 2014 (applicable to annual periods starting on February 1, 2015 or later).
The Company will apply the amended standards, starting from January 1, 2016.

- *Amendment to IAS 19: Employee Benefits*

The change was published on November 21, 2013, approved by the EU on December 17, 2014 and applies to annual periods starting on February 1, 2015 or later. Changes further specify and, in certain cases, simplify the accounting rules concerning contributions of employees (or other third parties) paid within the defined benefit plans.
The Group will apply the amended standard, starting from January 1, 2016.

- *Amendments to IFRS 11 Joint Arrangements*

Changes in IFRS 11 were published on May 6, 2014, approved by the EU on November 24, 2015 and apply to annual periods starting from January 1, 2016 or later. The purpose of changes is to present detailed guidelines that explain the manner of recognizing the transaction of acquisition of interests in joint operations, which constitute an arrangement. Changes require application of rules identical to those applied for mergers of entities.

The Company will apply the amended standard, starting from January 1, 2016.

- *Amendments to IAS 1: Disclosure Initiative*

On December 18, 2014, within the scope of a large initiative aiming at improving the presentation and disclosure in the financial statements, changes to IAS 1 were published; they were approved by the EU on December 18, 2015 and apply to annual periods starting from January 1, 2016 or later . These changes are to serve for further encouragement of entities to apply professional judgement in determination of what information is to be disclosed in their financial statements. Changes further specify that the significance concerns the entirety of the financial statements and that inclusion of insignificant information may reduce the usability of strict financial disclosures. Moreover, changes further specify that entities should apply professional judgement in defining the place and sequence of presenting information when disclosing financial information.

The Company will apply the amended standard, starting from January 1, 2016.

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

On September 25, 2014, other changes to four standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) were published. Their objective is to eliminate inconsistencies and to improve precision of wording. These changes were approved by the EU on December 15, 2015 and apply to annual periods starting on January 1, 2016 or later).
The Company will apply the amended standards, starting from January 1, 2016.

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

Changes in IFRS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" were published on May 12, 2014, approved by the EU on December 2, 2015 and apply to annual periods starting from January 1, 2016 or later. The change constitutes additional explanations on admitted amortization methods. The purpose of changes is to indicate that the method of calculating depreciation for tangible fixed assets and intangible assets, based on income, is not appropriate; however in case of intangible assets this method may be applied in certain circumstances.

The Company will apply amended standards, starting from January 1, 2016.

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

Changes to IAS 27 were published on August 12, 2014, approved by the EU on December 18, 2014 and apply to annual periods starting on January 1, 2016 or later. Changes reinstate in IFRS the option of recognizing in separate financial statements the investments in subsidiaries, joint arrangements, and associates, by the equity method. In case of choosing this method, it should be applied to each investment in the given category.

The Company will apply the amended standard, starting from January 1, 2016.

- *Changes to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture: Living Plants"*

The changes were published by the IASB on June 30, 2014 and apply to annual periods starting from January 1, 2016 or later. This change includes living plants, that are used only for growth of products, into the scope of IAS 16 which means that they should be recognized in the same manner as tangible fixed assets.

IAS 41 “Agriculture: Living Plants” has no application to the Company’s business.

10. Effect of adoption of new accounting standards and of changes in the accounting policy

Changes in standards and interpretations adopted for the first time in the year 2015

The following changes in existing standards and interpretations published by the International Accounting Standards Board (“IASB”) and approved by the UE come into force in the year 2015:

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

Changes were published on December 12, 2013. Within the framework of making annual amendments, various changes in standards and interpretations were implemented (IFRS 1, IFRS 3, IFRS 13 and IAS 40). Their objective is mainly to eliminate inconsistencies and to improve precision of wording. These changes were approved by the EU on December 18, 2014 and apply to annual periods starting on January 1, 2015 or later.

The application of the above amendments has no influence on the financial statements of the Company.

- *IFRIC Interpretation 21 Levies*

The interpretation was published by the IASB on May 20, 2013 . IFRIC 21 Levies is the interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. IAS 37 defines criteria of recognition of liability, one of which is the requirement to have present obligation resulting from past events (it is so called an obligating event). The interpretation explains that the event that results in creation of obligation to make payment is the activity which is subject to payment, defined in adequate law regulations.

The application of the above interpretation has no influence on the financial statements of the Group.

- **Changes introduced independently by the Group**

During the year 2015 the Company made the presentation adjustment in the cash flow statement which referred to the factoring cash flows. The adjustment consists in reclassification of factoring cash flows from operating cash flows to financing cash flows – item *“Proceeds (Outflows) due to other financial liabilities”*. In the Management Board’s opinion such presentation reflects more reliably the cash flows from each of activities.

In the Company’s financial statements of the Company for the financial year 2015, the Company presented the factoring cash flow in the operating activity cash flows in the amount of PLN 3,620 thousand. In accordance to the presentation change adopted, the Company presented the above mentioned value in the financing activity cash flows. In the discussed period 2015 the outflows from the factoring liabilities amounted to PLN 38,931 thousand.

11. Selected financial data converted to Euro

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

Financial year ended	Average exchange rate in the period*	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
31.12.2015	4,1848	3,9822	4,3580	4,2615
31.12.2014	4,1893	4,0998	4,3138	4,2623

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

Basic balance sheet items in conversion to Euro:

	31.12.2015		31.12.2014	
	kPLN	kEUR	kPLN	kEUR
Non-current assets	632 789	148 490	603 625	141 619
Current assets	299 500	70 280	468 928	110 018
Assets held for sale	3 062	719	-	-
Total assets	**935 351**	**219 489**	**1 072 553**	**251 637**
Equity	613 327	143 923	581 244	136 369
Long-term liabilities	60 527	14 203	59 984	14 073
Short-term liabilities	258 435	60 644	431 325	101 195
Total equity and liabilities	**932 289**	**218 770**	**1 072 553**	**251 637**

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

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

	For the period 12 months ended 31.12.2015		For the period 12 months ended 31.12.2014	
	kPLN	kEUR	kPLN	kEUR
Sales revenues	763 399	182 422	966 084	230 608
Cost of goods sold	(700 208)	(167 322)	(866 472)	(206 830)
Gross profit (loss) on sales	63 191	15 100	99 612	23 778
Operating profit (loss)	30 094	7 191	57 000	13 606
Gross profit (loss)	41 638	9 950	59 264	14 147
Net profit (loss) from continued operations	35 161	8 402	49 797	11 887
Net profit (loss) from discontinued operations	-	-	-	-
Net profit for the period	**35 161**	**8 402**	**49 797**	**11 887**

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

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

	For the period 12 months ended 31.12.2015		For the period 12 months ended 31.12.2014	
	kPLN	kEUR	kPLN	kEUR
Cash flows from operating activities	206 799	49 417	87 837	20 967
Cash flows from investment activities	7 411	1 771	6 281	1 499
Cash flows from financial activities	(92 298)	(22 055)	(113 749)	(27 152)
Total net cash flows	**121 912**	**29 132**	**(19 631)**	**(4 686)**

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

	31.12.2015		31.12.2014	
	kPLN	kEUR	kPLN	kEUR
Cash at start of period	14 113	3 311	33 744	8 137
Cash at end of period	**136 025**	**31 920**	**14 113**	**3 311**

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

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

Euro exchange rate on the last day of the financial year that ended on December 31, 2013 amounted to PLN 4.1472.

12. Revenues from sale

	For the period 12 months ended	
	31.12.2015	31.12.2014
Sales revenues	Audited	Audited
Revenues from sale of construction services	748 299	942 889
Revenues from sale of goods and materials	1 450	1 046
Revenues from sale of other products and services	13 650	22 149
Total	**763 399**	**966 084**

	For the period 12 months ended	
	31.12.2015	31.12.2014
Sales revenues	Audited	Audited
Contracts	748 299	942 889
Other sales	15 100	23 195
Total	**763 399**	**966 084**

	For the period 12 months ended	
	31.12.2015	31.12.2014
Cost of goods sold	Audited	Audited
Contracts	675 098	834 441
Other sales	25 110	32 031
Razem	**700 208**	**866 472**

	For the period 12 months ended	
	31.12.2015	31.12.2014
Sales margin	Audited	Audited
Contracts	73 201	108 448
Other sales	(10 010)	(8 836)
Total	**63 191**	**99 612**

Trakcja PRKiI generates all its revenues from sale in Poland. Around 85.2% of direct share in revenues from sale constitute revenues from PKP PLK.

All the generated Company's revenues are recognized in one operating segment which is the same reporting segment.

(amounts in thousand PLN, unless stipulated otherwise)

13. Cost of operations

Costs by type:

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Depreciation	10 798	11 647
Consumption of materials and energy	174 337	260 081
External services	453 353	521 534
Taxes and charges	3 179	2 885
Payroll	82 660	81 444
Social security and other benefits	18 433	18 313
Other types of costs	11 282	16 778
Total costs by type	**754 043**	**912 682**
Change in inventories, products and prepayments	441	(1 409)
Cost of manufacture of products for the entity's own needs	(20 618)	(12 431)
Cost of sales, marketing and distribution (negative value)	(1 718)	(717)
General and administrative costs (negative value)	(33 332)	(32 635)
Manufacturing cost of products sold	**698 815**	**865 490**
Value of materials and goods sold	**1 394**	**982**
Cost of goods sold	**700 208**	**866 472**

Costs of remuneration and other employee benefits:

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Costs of payroll and employment termination benefits	72 439	78 392
Social security costs	13 832	14 117
Provisions for retirement pay and disability benefits	915	1 179
Provision for jubilee awards	1 226	(3 075)
Provision for unused leaves	1 835	605
Provision for bonuses	1 649	4 343
Provision for non-competition and compensation	4 596	-
Employee benefits under Employee Pension Program	701	144
Other employee benefits	3 900	4 052
Total	**101 093**	**99 757**

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

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

(amounts in thousand PLN, unless stipulated otherwise)

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

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Items recognised in cost of goods sold		
Depreciation of fixed assets	9 211	10 342
Depreciation of intangible assets	742	750
Total	**9 953**	**11 092**
Items recognised in cost of sales, marketing and distribution		
Depreciation of fixed assets	4	-
Depreciation of intangible assets	-	-
Total	**4**	**-**
Items recognised in general and administrative costs		
Depreciation of fixed assets	412	520
Depreciation of intangible assets	429	35
Total	**841**	**555**
Depreciation of fixed assets	9 627	10 862
Depreciation of intangible assets	1 171	785
Total	**10 798**	**11 647**

14. Other operating incomes

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Received penalties and fines	1 079	14
License fees, patents	288	-
Inventory surplus	86	-
Reimbursed costs of litigious proceedings	102	-
Redeemed liabilities	1 377	-
Profit on sale of non-financial non-current assets	302	568
Other	388	271
Total	**3 622**	**853**

(amounts in thousand PLN, unless stipulated otherwise)

15. Other operating costs

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Established provisions for liabilities	-	1 100
Investment property valuation	-	8 097
Litigation costs paid	-	174
Donations made	34	57
Inventory shortages	-	6
Value of liquidated non-financial assets	27	15
Reorganization costs of the production division	252	298
Depreciation of inventories held for sale	329	-
Impairment of receivables	313	139
Value of liquidated inventories	32	-
Other	682	227
Total	**1 669**	**10 113**

16. Financial incomes

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Financial revenues from interest, including:	1 655	1 439
- bank interest	333	1 439
Income from received dividends	15 843	14 824
Profit from exchange rate differences	711	114
Financial revenues from participation in guarantee costs	-	83
Financial revenues from resolve allowances for receivables	441	-
Other	-	132
Total	**18 650**	**16 592**

17. Financial costs

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Financial costs on account of interest, including:	5 000	10 802
- interest on loans and borrowings	782	4 398
- on liabilities	236	120
- on leasing	1 171	959
- on bonds	1 874	3 421
- on liability from employee benefits	253	445
- on factoring	493	1 384
- other	191	75
Costs associated with redemption of bonds before maturity	-	724
Factoring related costs	759	949
Revaluation write-offs on bonds	176	251
Financial commission costs	932	919
Loss on valuation of forward contracts	-	356
Other financial costs	239	327
Total	**7 106**	**14 328**

(amounts in thousand PLN, unless stipulated otherwise)

18. Income tax

18.1. Current income tax

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Gross profit	**41 638**	**59 264**
Differences between gross profit (loss) and income tax base (by title)		
- temporary differences, including:	**10 236**	**16 276**
depreciation and amortisation	(705)	(1 954)
revaluation write-offs	(1 274)	1 446
change in provisions	(968)	(3 506)
valuation of investment properties at fair value	-	8 097
valuation of construction contracts	27 289	2 121
accrued interest	1 726	(813)
accrued exchange differences	(37)	(11)
provision for losses on contracts	363	-
remuneration unpaid	(179)	176
non-tax costs relating to long-term contracts	(12 568)	11 878
financial lease agreements	(3 189)	(1 579)
other	(222)	421
- permanent differences, including:	**(7 540)**	**(9 435)**
received dividends	(15 843)	(14 824)
contributions to PFRON (National Disabled Persons Rehabilitation Fund)	634	716
donations made	34	42
budget interest	203	1
insurance and membership fees	387	223
VAT difference	26	1
cost of disputed contracts	185	1 100
revaluation write-offs	5 716	1 994
other	1 119	1 312
Taxable income	**44 335**	**66 105**
Deductions from income	**(10)**	**(46 666)**
- tax loss from previous years	-	(46 666)
- donations	(10)	-
- other deductions	-	-
Income tax base	**44 325**	**19 439**
Income tax at 19% rate	**8 422**	**3 693**
Current income tax recognised (shown) in tax declaration for the period, including:	**8 422**	**3 693**
- recognised in income statement	8 422	3 693

(amounts in thousand PLN, unless stipulated otherwise)

Income tax in the profit and loss account:

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Current income tax:	**8 422**	**3 693**
- current income tax charge	8 422	3 693
Deferred tax:	**(1 945)**	**5 774**
- related to increase and decrease in temporary differences	(1 945)	5 774
Total	**6 477**	**9 467**

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

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Income tax shown in income statement regarding discontinued operations	-	-

Reconciliation of effective interest rate:

Reconciliation of the pre-tax 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 on December 31, 2015 and December 31, 2014 is presented in the table below:

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Gross profit	**41 638**	**59 264**
Income tax at applicable income tax rate of 19%	7 911	11 260
Tax costs not constituting accounting costs	(1 290)	(1 066)
Non-tax revenues constituting accounting revenues	(3 346)	(2 882)
Non-tax costs constituting accounting costs	3 202	2 155
Income tax at effective tax rate of 16% (2014: 16%)	**6 477**	**9 467**

(amounts in thousand PLN, unless stipulated otherwise)

18.2. Income tax recognized in other comprehensive income

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Actuarial gains/(losses)		
Gross amount	(199)	1 779
Tax	38	338
Net amount	**(161)**	**(1 441)**

18.3. Deferred income tax

Dates of realisation of deferred tax assets and provisions for deferred tax:

	Audited	Audited
with a duration of more than 12 months after the financial year	2 776	2 752
with a duration of up to 12 months after the financial year	16 939	16 268
Total	**19 715**	**19 020**

Provisions for deferred tax	31.12.2015	31.12.2014
	Audited	Audited
with a duration of more than 12 months after the financial year	9 286	3 035
with a duration of up to 12 months after the financial year	3 842	12 553
Total	**13 128**	**15 588**

As of December 31, 2015 the Company did not have any unsettled tax losses.

(amounts in thousand PLN, unless stipulated otherwise)

Deferred tax assets:

Title of temporary differences	1.01.2014 Modified	Increase / Decrease	31.12.2014 Audited	Increase / Decrease	31.12.2015 Audited
Provision for bonuses	315	693	1 008	(489)	519
Provision for the audit	21	(10)	11	8	19
Provision for correction works	841	9	850	234	1 084
Provision for losses on contracts	-	-	-	69	69
Provisions for retirement and pensions	634	262	896	(117)	779
Provision for jubilee awards	1 634	(211)	1 423	(103)	1 320
Provision for unused leaves	756	116	872	87	959
Valuation allowance for trade receivables	536	-	536	-	536
Valuation allowance for other current assets	112	302	414	(286)	128
Unrealized foreign exchange losses	26	(11)	15	(11)	4
Accrued interest on liabilities	85	33	118	(35)	83
Valuation of bonds	40	17	57	(57)	-
Interest on receivable write-offs	16	(11)	5	44	49
Non-tax costs related to ongoing long-term contracts	2 411	2 251	4 662	(2 388)	2 274
Surpus of invoiced revenues over actual revenues - valuation of long-term contracts	8 347	(775)	7 572	1 807	9 379
The positive difference between the balance sheet depreciation and the tax depreciation	215	(151)	64	14	78
Tax loss	8 867	(8 867)	-	-	-
Unpaid wages and unpaid social security contributions	193	38	231	(34)	197
Provision for costs	1 167	(1 157)	10	234	244
Others	220	56	276	1 717	1 993
Total deferred tax asset, including	**26 436**	**(7 416)**	**19 020**	**695**	**19 715**
influence on net profit	25 811	(7 754)	18 057	1 475	19 532
influence on equity	625	338	963	(780)	183

During the period the Company changed the principle of settlement of deferred tax resulting from provision for the jubilee award. Due to this fact the indicated above amount influencing the result and the capital includes this change in the amount of PLN 818 thousand. Thereby the actual impact of change of deferred tax asset on the result is PLN 657 thousand, and on the capital in the period amounts to PLN 38 thousand.

(amounts in thousand PLN, unless stipulated otherwise)

Provisions for deferred tax:

Title of temporary differences	1.01.2014 Modified	Increase / Decrease	31.12.2014 Audited	Increase / Decrease	31.12.2015 Audited
Surpus of actual revenues over invoiced revenues - valuation of long-term contracts	6 028	(1 178)	4 850	(3 378)	1 472
The negative difference between the balance sheet depreciation and the tax depreciation	4 285	302	4 587	148	4 735
Unrealized foreign exchange profits	18	(9)	9	(4)	5
Interest accrued on deposits, on financial assets	274	165	439	(363)	76
The right to perpetual usufruct	776	(11)	765	(10)	755
Revaluation of fixed assets to fair value	1 907	(228)	1 679	(1 172)	507
Investment property fair value adjustment	3 844	(1 538)	2 306	-	2 306
Financial lease agreements	645	300	945	606	1 551
Other	19	(11)	7	1 713	1 721
Total deferred tax liability, including	**17 796**	**(2 208)**	**15 588**	**(2 460)**	**13 128**
influence on net profit	13 464	(1 981)	11 483	(973)	10 510
influence on equity	4 332	(227)	4 105	(1 487)	2 618

During the period the Company changed the way of settlement of deferred tax for investment property revaluation. Due to this fact the indicated above amount influencing the result and the capital includes this change in the amount of PLN 315 thousand. Thereby the actual impact of change of deferred tax asset on the result is PLN 1,288 thousand, and on the capital in the period amounts to PLN 1,172 thousand.

(amounts in thousand PLN, unless stipulated otherwise)

19. Discontinued operations

In 2015 and 2014 no discontinued operations occurred.

20. Profit (loss) per one share

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Net profit (loss) from continued operations	35 161	49 797
Net profit for financial year	35 161	49 797
Net profit applied to calculate diluted earnings per share	35 161	49 797
Number of issued shares (pcs)	51 399 548	51 399 548
Weighted average number of issued ordinary shares applied to calculate basic earnings per share (pcs)	51 399 548	51 399 548
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	51 399 548	51 399 548

	For the period 12 months ended	
	31.12.2015	31.12.2014
Profit (loss) per 1 share (in PLN/share):	Audited	Audited
- basic	0,68	0,97
- diluted	0,68	0,97

	For the period 12 months ended	
	31.12.2015	31.12.2014
Profit (loss) from continued operations per 1 share (in PLN/share):	Audited	Audited
- basic	0,68	0,97
- diluted	0,68	0,97

21. Tangible fixed assets

Structure of fixed assets:

	31.12.2015	31.12.2014
	Audited	Audited
Fixed assets, including:	107 670	103 875
- land (including right of perpetual usufruct)	16 579	16 753
- buildings, premises, civil and water engineering structures	4 024	8 165
- technical equipment and machines	35 131	31 539
- vehicles	50 201	45 421
- other fixed assets	1 735	1 997
Fixed assets under construction	9 738	9 554
Total	**117 408**	**113 429**

(amounts in thousand PLN, unless stipulated otherwise)

Ownership structure of fixed assets:

	31.12.2015 Audited	31.12.2014 Audited
Proprietary	85 487	92 101
Used on the basis of lease, rental or other agreement, including leasing agreement	31 921	21 328
Total	**117 408**	**113 429**

Tables of fixed assets movement:

Financial year ended 31.12.2015 Audited	**Land, buildings and**	**Machines and equipment**	**Vehicles**	**Other fixed assets**	**Fixed assets under construction**	**Total**
Net book value at the beginning of the year	**24 918**	**31 539**	**45 421**	**1 997**	**9 554**	**113 429**
Increases - purchase	89	6 121	11 224	167	5 543	23 144
Other increases	-	-	-	-	892	892
Movements between groups	603	1 240	1 957	-	(3 800)	-
Sale	-	(87)	(3 476)	-	(2 451)	(6 014)
Liquidation	-	(7)	(136)	(3)	-	(146)
Depreciation	(737)	(3 675)	(4 789)	(426)	-	(9 627)
Other decreases	(1 208)	-	-	-	-	(1 208)
Reclassification to assets held for sale	(3 062)	-	-	-	-	(3 062)
Net book value at the end of the year	**20 603**	**35 131**	**50 201**	**1 735**	**9 738**	**117 408**
Audited						
(Gross) cost or value from valuation	28 938	82 469	97 241	8 462	9 738	226 849
Depreciation and imparment write-offs	(8 335)	(47 338)	(47 041)	(6 727)	-	(109 441)
Net book value	**20 603**	**35 131**	**50 201**	**1 735**	**9 738**	**117 408**

(amounts in thousand PLN, unless stipulated otherwise)

Financial year ended 31.12.2014 Audited	Land, buildings and	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Net book value at the beginning of the year	**20 589**	**30 337**	**42 293**	**2 360**	**4 976**	**100 555**
Increases - purchase	1 208	5 143	6 871	116	4 484	17 823
Other increases	-	670	2 256	-	316	3 242
Movements from inventory	3 591	-	-	-	-	3 591
Movements between groups	223	-	-	-	(223)	-
Sale	-	(361)	(114)	-	-	(474)
Liquidation	-	(12)	(395)	(3)	-	(410)
Depreciation	(691)	(4 204)	(5 490)	(476)	-	(10 862)
Other decreases	-	(35)	-	-	-	(35)
Net book value at the end of the year	**24 918**	**31 539**	**45 421**	**1 997**	**9 554**	**113 429**
As at 31.12.2014 Audited						
(Gross) cost or value from valuation	30 562	79 958	92 627	8 528	9 554	221 229
Depreciation and imparment write-offs	(5 644)	(48 419)	(47 206)	(6 531)	-	(107 800)
Net book value	**24 918**	**31 539**	**45 421**	**1 997**	**9 554**	**113 429**

On the basis of the right of perpetual usufruct of land, the Company owns lands classified as "Lands, buildings and constructions" category with net value of PLN 16,579 thousand (31.12.2014: PLN 16,753 thousand).

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

Financial year ended 31.12.2015 Audited	Land, buildings and	Machines and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Initial value	-	15 642	22 683	-	-	38 325
Accumulated depreciation	-	(2 635)	(3 769)	-	-	(6 404)
Net book value	**-**	**13 007**	**18 914**	**-**	**-**	**31 921**

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

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

(amounts in thousand PLN, unless stipulated otherwise)

22. Investment property

	31.12.2015 Audited	31.12.2014 Audited
As at start of period (by type groups) - net value:	**17 602**	**25 699**
- land	13 532	15 464
- buildings, premises, civil and water engineering structures	4 070	10 235
Increases:	**-**	**151**
- land	-	151
- revaluation		151
- movement from fixed assets	-	-
- buildings, premises, civil and water engineering structures	-	-
- revaluation	-	-
- movement from fixed assets	-	-
Decreases	**-**	**(8 248)**
- land	-	(2 083)
- revaluation	-	(2 083)
- buildings, premises, civil and water engineering structures	-	(6 165)
- revaluation	-	(6 165)
As at end of period (by type groups) - net value:	**17 602**	**17 602**
- land	13 532	13 532
- buildings, premises, civil and water engineering structures	4 070	4 070

The Company recognizes the investment property at fair value. Fair value of the investment property as at December 31, 2015 and December 31, 2014 was estimated on the basis of valuation carried out on these days by an independent expert who is qualified to carry out the appropriate property valuations and has adequate skills to prepare valuations of the investment property as well as has a recent experience in such valuations made in locations where the Company's assets are. Additionally, the Company makes self-assessment of the received opinions of fair value. This is made through analysis of data coming from the active market of current market prices of similar investment property with similar locations and which is in the comparable state. This analysis is performed by the persons who have knowledge of the market.

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

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

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

(amounts in thousand PLN, unless stipulated otherwise)

To determine fair value, the valuation techniques - adequate to circumstances and case, in which sufficient data is available - were used with maximum use of adequate observable input data and minimum use of unobservable input data.

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

	Valuation technique used	**Unobservable input data**	**Link between unobservable input data and fair value**
Office - land	Comparative approach	Location (40%) Current development (40%) Surface (20%)	these factors affect the value of the weighting adopted in measuring the fair value of real estate
		Average market price of comparable real estate	an increase in the market value of comparable real estate will increase the fair value of real estate
Office - buildings	Cost approach	Replacement cost value	increase in the replacement cost will increase the fair value of real estate
		Requisite degree of technical wear (in the range from 50% to 80%)	higher the degree of technical wear adversely affect the fair value of the property

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

For land property located in Warsaw and its surroundings, the average market price of comparable land property is in the range between PLN 679 per square meter and PLN 739 per square meter while the adjustment factor was between 0.8658 and 0.9394.

On the basis of the valuation made as at December 31, 2015 it was stated that no change of value of investment property took place and that in 2015 there were no changes in the valuation technique.

Details of fair value hierarchy as at December 31, 2015 and December 31, 2014 are presented below:

	31.12.2015 Audited	**Level 1**	**Level 2**	**Level 3**
Investment property:	**17 602**	-	-	17 602
Office property	17 602			17 602
- land	13 532			13 532
- buildings	4 070			4 070

	31.12.2014 Audited	**Level 1**	**Level 2**	**Level 3**
Investment property:	**17 602**	-	-	17 602
Office property	17 602			17 602
- land	13 532			13 532
- buildings	4 070			4 070

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

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

(amounts in thousand PLN, unless stipulated otherwise)

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

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Rental income from investment property	187	183
Direct operating expenses from investment property that during the period generated rental income	266	272
Direct operating expenses from investment property that during the period did not generate rental income	-	-

On the investment property no collateral was made.

23. Intangible assets

Structure of intangible assets:

	31.12.2015	31.12.2014
	Audited	Audited
Research and development costs	2 565	3 263
Goodwill	48 733	53 512
Acquired concessions, patents, licences and similar items of value,	2 738	366
- software	2 738	366
Inne wartości niematerialne i prawne	387	-
Intangible assets under construction	1 144	2 064
Total	**55 567**	**59 205**

Ownership structure of intangible assets:

	31.12.2015	31.12.2014
	Audited	Audited
Proprietary	55 567	59 205
Used on the basis of lease, rental or other agreement, including leasing agreement	-	-
Total	**55 567**	**59 205**

(amounts in thousand PLN, unless stipulated otherwise)

Tables of intangible assets movement:

Financial year ended 31.12.2015 Audited	Research and development expenses	Goodwill	Software licences	Other licenses, concessions, patents	Intangible assets under construction	Total
Net book value at the beginning of the year	**3 263**	**53 512**	**366**	**-**	**2 064**	**59 205**
Increases	-	-	2 842	390	(920)	2 312
Movements	-	(4 780)	-	-	-	(4 780)
Amortisation	(697)	-	(470)	(3)	-	(1 170)
Net book value at the end of the year	**2 566**	**48 732**	**2 738**	**387**	**1 144**	**55 567**
As at 31.12.2015 Audited						
(Gross) cost or value from valuation	5 593	48 732	6 573	390	1 144	62 433
Depreciation and imparment write-offs	(3 029)	-	(3 835)	(3)	-	(6 867)
Net book value	**2 564**	**48 732**	**2 738**	**387**	**1 144**	**55 567**

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

In 2015 and 2014, the Company did not incur costs in the profit and loss account which were no capitalized in the intangible assets for R&D works.

Method of determination of goodwill and impairment test

The Company recognizes at the balance sheet date in the financial statements, goodwill of PLN 48,732 thousand (December 31, 2014: PLN 53,512 thousand), which was included in the balance sheet item – intangible assets. Goodwill results from the acquisition of and merger with the companies: PRK 7 SA in 2009 and PRKiI S.A. in 2013 as well as from the acquisition of shares of PRK 7 Nieruchomości company.

(amounts in thousand PLN, unless stipulated otherwise)

	31.12.2015 Audited	31.12.2014 Audited
Goodwill from acquisition and merger with PRKiI S.A.	2 051	2 051
Goodwill from acquisition and merger with PRK7 S.A.	46 681	46 681
Goodwill from acquisition of shares of PRK 7 Nieruchomości	-	4 780
Total	**48 732**	**53 512**

Within the period – due to the results of analysis of goodwill recognized in intangible assets – the Company decided to reclassify goodwill to the investments in subsidiaries. The amount of reclassified goodwill was PLN 4,780 thousand and it resulted from acquisition of shares of PRK 7 Nieruchomości company. In the Company's opinion the presentation of amount PLN 4,780 thousand as investments in subsidiaries reflects more reliably the nature of investment in the PRK 7 Nieruchomości company which constitutes a fully consolidated separate entity within Trakcja Group.

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

- growth rate during the residual period at 2% (December 31, 2014: 2%);
- EBITDA margin between 4.0% and 4.7% (December 31, 2014: 4.0% - 4.6%);
- discount rate before taxation at 11.5% (December 31, 2014: 10.3%).

The calculation of the recoverable value of the cash-generating unit is based on the projected 5-year cash flows. The Management Board has determined the budgeted margin based on historical results, updated budgets and contracts as well as on its expectations of the market development. The average weighted growth rates are consistent with the forecasts presented in the industry reports. The discount rate used is a pre-tax rate that reflects specific threats not included in the cash flow projections.

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

Factor applied	Reasonably possible change of the factor	The impact on the recoverable amount of cash-generating unit	
		increase	decrease
EBITDA	+/- 2,5%	13 124	(13 124)
WACC	+/- 2,5%	(10 770)	11 380

The Company made the sensitivity analysis of the EBITDA level (+/- 2.5%) and WACC level (+/- 0.25%) which led to conclusion that the rational change of assumptions would not result in necessity to recognize impairment.

(amounts in thousand PLN, unless stipulated otherwise)

24. Investments in subsidiaries

As at 31.12.2015

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	17 169	-	17 169	100,00%	100,00%
Torprojekt Sp. z o.o.	Warsaw	designing activities	subsidiary / full method	04.11.2010	1 400	-	1 400	82,35%	82,35%
AB Kauno Tiltai	Kaunas	construction and installation activities	subsidiary / full method	19.04.2011	364 109	-	364 109	96,84%	96,84%
PEUiM Sp. z o. o.	Białystok	construction and installation activities	subsidiary / full method	19.04.2011	29 305	-	29 305	99,70%	99,70%
Dalba Sp. z o.o.	Białystok	construction and installation activities	subsidiary / full method	19.04.2011	385	-	385	100,00%	100,00%
PDM Białystok S.A.	Białystok	construction and installation activities	subsidiary / full method	19.04.2011	204	-	204	94,62%	94,62%
Total					**412 572**	-	**412 572**		

(amounts in thousand PLN, unless stipulated otherwise)

As at 31.12.2014

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	(8 205)	16 516	100,00%	100,00%
Torprojekt sp. z o.o.	Warsaw	designing activities	subsidiary / full method	04.11.2010	1 400	-	1 400	82,35%	82,35%
AB Kauno Tiltai	Kaunas	construction and installation activities	subsidiary / full method	19.04.2011	364 109	-	364 109	96,84%*	96,84%*
PEUiM Sp. z o. o.	Białystok	construction and installation activities	subsidiary / full method	19.04.2011	65	-	65	0,20%	0,20%
Total					**390 295**	**-**	**382 090**		

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

(amounts in thousand PLN, unless stipulated otherwise)

During the year 2015 some changes in value of investments in subsidiaries occurred. They resulted from:

- acquiring on December 3, 2015 for the total amount PLN 10,253,606:
    1. from subsidiary AB Kauno Tiltai TUB Konsorciumas "Tiltra" of 415 shares in the share capital of the PEUiM company (belonging to Trakcja Group) of nominal value PLN 835 each for the total nominal value of PLN 346,525;
    2. from subsidiary UAB Taurakelis of 100% shares (that is 2,210 shares in the share capital of Dalba company (belonging to Trakcja Group) of nominal value PLN 500 each for the total nominal value of PLN 1,105,000;
    3. from subsidiary UAB Taurakelis of 7,380,000 ordinary registered shares series A and 53,000 ordinary registered shares series B in the share capital of the PDM Białystok company (belonging to Trakcja Group) of nominal value PLN 1 each for the total nominal value of PLN 7,433,000.
- Increase of capital in PEUiM in the total amount of PLN 19,574 thousand.
    1. Increase of capital in PEUiM made by Trakcja PRKiI through establishing new shares in this capital in the amount of PLN 205 thousand (246 new shares with nominal value PLN 835 each)
    2. Allocation of surplus of issue price over nominal price in the amount of PLN 19,369 thousand to the reserve capital.
- As at 31 December, 2015 the Company updated the presented value of the investment in PRK 7 Nieruchomości company by reclassifying historically allocated goodwill from the item "intangible assets" to the item "investments in subsidiaries". The Company adjusted also the value of shares in PRK 7 Nieruchomości to fair value which reflects net fair value of acquired assets of PRK 7 Nieruchomości as at the day of taking control and the resulting impact on capitals was negative and amounted to PLN 2,953 thousand. In the Company's opinion such approach reflects more reliably the value of PRK 7 Nieruchomosci investment as at 31 December, 2015.

The above transactions were concluded within Trakcja Group (the parties were subsidiaries of which Trakcja PRKiI has control). Both the acquisition of shares by the Issuer from its subsidiaries as well as increase of capital and subsequent loan repayment by PEUiM aimed at the re-organisation of the Trakcja Group ownership structure. Thanks to the transactions performed Trakcja PRKiI became a direct owner of the companies with seat in Białystok: PEUiM, Dalba and PDM Białystok that operate in road construction and modernization business, providing civil engineering services and rental services (earlier Trakcja PRKiI S.A. had indirect control over them via Lithuanian subsidiary AB Kauno Tiltai).

	31.12.2015 Audited
Balance at beginning of period	**382 090**
Acquisition of shares in subsidiaries	10 254
The increase of the share capital of PEUiM by TRAKCJA PRKiI through the establishment of new shares	19 574
Transfer of goodwill PRK 7 Nieruchomości	4 780
Change the value of the shares in PRK 7 Nieruchomości in correspondence with other reserve capital	(4 126)
Balance at end of period	**412 572**

As at 31 December, 2015 as well as at the day of acquisitions of shares in companies: PEUiM, Dalba and PDM Białystok, the Company made the impairment test for loss of value of the investment. On the basis of this test it was stated that there were no grounds to make impairment.

(amounts in thousand PLN, unless stipulated otherwise)

25. Investment in co-controlled entity

As at 31.12.2015

Company name	Location	Business object	Character of relation/conso lida-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
Bahn Technik Wrocław Sp. z o. o.	Wrocław	construction and installation activities	jointly controlled / equity method	19.12.1996	2 008	-	2 008	50,00%	50,00%

As at 31.12.2014

Company name	Location	Business object	Character of relation/conso lida-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
Bahn Technik Wrocław Sp. z o. o.	Wrocław	construction and installation activities	jointly controlled / equity method	19.12.1996	2 008	-	2 008	50,00%	50,00%

(amounts in thousand PLN, unless stipulated otherwise)

26. Joint operations – contracts executed in consortia

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

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

Contracts name	Country	Company's share as at 31.12.2015	31.12.2014
Modernization of the railway line E65 / CE65 on the section Warsaw - Gdynia - the area of Local Steering Control (LCS) of Iława, **LCS Malbork**	Polska	69,0%	68,7%
Modernization of the railway line E65 / CE65 on the section Warsaw – Gdynia – area of **LCS Działdowo**	Polska	70,5%	70,3%
Modernization of the railway line E30 / C-E30 on the section Kraków – Rzeszów, III stage **(Podłęże - Bochnia)**	Polska	96,9%	96,9%
Revitalization of the railway line no. 144 section **Fosowskie - Opole**	Polska	67,1%	67,1%
Modernization of the railway line **E59 on the section Wrocław – Poznań**, II stage (Wrocław - Dolnośląskie voivodeship section)	Polska	40,6%	41,1%
Modernization of the railway line E30 / C-E30 on the section Kraków – Rzeszów, III stage (**Dębica - Sędziszów Małopolski**)	Polska	86,2%	86,3%
Modernization of the railway line E30, II stage Zabrze – Katowice – Kraków, Tender no. 1 - Modernization of the sections: **Jaworzno Szczakowa – Trzebinia** (km 15,810 -29,110 of line no. 133), **Jaworzno Szczakowa – Sosnowiec Jęzor** (km 0,000 – 6,847 of line no. 134)	Polska	78,3%	75,8%
Modernization of the railway line no. 358 on the section **Zbąszynek – Czerwieńsk** together with the construction of railway switchboard Pomorsko – Przylep	Polska	93,7%	93,7%
Connection of Korczowa Logistic Park - Stage II (kV line construction **Przemyśl Radymno**)	Polska	77,8%	77,4%
Modernization of the railway line no. 20 within the railway station **Warszawa Gdańska** in conjunction with the line E 65 and the underground station A 17 Gdansk Station Stage II	Polska	59,5%	-
Construction of railway E59 line engineering objects: A part, the object in km 145,65	Polska	29,1%	-
Construction of railway E59 line engineering objects: C part, the object in km 160,857	Polska	20,3%	-

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

(amounts in thousand PLN, unless stipulated otherwise)

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
Sales revenues	149 396	210 809
Cost of goods sold	(149 909)	(211 693)
Gross profit (loss) on sales	**(513)**	**(884)**

The Company did not include in the balance sheet as at December 31, 2015 trade receivables and trade payables belonging to consortium partners in the amount of PLN 2,182 thousand (as at December 31, 2014: PLN 57,167 thousand).

27. Other financial assets

	31.12.2015	31.12.2014
	Audited	Audited
Financial assets held to maturity	**16 499**	**35 310**
Bank guarantees deposits	13 679	14 043
Loans granted and receivables	2 820	21 267
Total	**16 499**	**35 310**
including:		
- recognised as non-current assets	4 671	9 482
- recognised as current assets	11 828	25 828

In 2015 there was no loss value of individual components of financial assets. During the year 2015 PEUiM subsidiary company repaid the loan in the amount of PLN 19,574 thousand.

28. Prepayments

Structure of prepayments:

	31.12.2015	31.12.2014
	Audited	Audited
Prepayments, including:	10 165	3 539
- insurance and insurance guarantees	7 160	2 145
- PKP (Polish Railways) identification documents	96	-
- repair and maintenance of wagons, locomotives	2 909	1 394
Other prepayments and accruals	287	147
Total	**10 452**	**3 686**

Age structure of prepayments:

	31.12.2015	31.12.2014
	Audited	Audited
Long-term	3 246	789
Short-term	7 206	2 897
Total	**10 452**	**3 686**

(amounts in thousand PLN, unless stipulated otherwise)

29. Inventory

	31.12.2015 Audited	31.12.2014 Audited
Materials	27 792	18 798
Semi-finished goods and products in progress	3 934	1 804
Finished goods	250	1 311
Merchandise	10	10
Inventory for resale	-	-
Total, gross inventory	**31 986**	**21 923**
Inventory revaluation write-offs	**(703)**	**(2 204)**
Materials	27 116	16 621
Semi-finished goods and products in progress	3 934	1 804
Finished goods	223	1 284
Merchandise	10	10
Inventory for resale	-	-
Total, net inventory	**31 283**	**19 719**

Costs of inventory included in the operating costs of the current period amounted to PLN 152,891 thousand (in 2014: PLN 237,883 thousand).

Change in inventory write-downs:

	For the period 12 months ended	
	31.12.2015 Audited	31.12.2014 Audited
As at start of period	**2 204**	**614**
Increases	**1 623**	**1 590**
Establishment	1 623	1 590
Decreases	**(3 124)**	**-**
Dissolution	(3 124)	-
As at end of period	**703**	**2 204**

The creation and the inversion of amounts of write-downs for impairment was included in the position "cost of goods sold" in the profit and loss account. The write-downs adjusting the value of inventory are made in accordance with the principles defined in Note 8.8. The Company inverted the write-down in the amount of PLN 3,124 thousand which was caused by use of materials for the execution of the contracts.

No collateral was created for inventory.

(amounts in thousand PLN, unless stipulated otherwise)

30. Trade receivables and other receivables

Structure of trade receivables and other receivables:

	31.12.2015 Audited	31.12.2014 Audited
Gross trade receivables, before discounting	105 449	379 162
Discounting of receivables	-	-
Total, gross trade receivables	**105 449**	**379 162**
including:		
- receivables from related entities	3 304	3 084
Budgeted receivables	3 634	-
Receivables claimed in court	2 187	1 750
Other receivables from third parties	4 500	11 263
Amounts held	4 831	2 135
including:		
- receivables from related entities	18	121
Total, gross trade and other receivables	**120 601**	**394 310**
Receivables revaluation write-offs	(19 020)	(13 502)
Total	**101 581**	**380 808**

Receivables from the related entities were presented in Note 54.

Trade receivables and amounts held:

	31.12.2015 Audited	31.12.2014 Audited
Net trade receivables	93 518	370 158
With maturity within 12 months	90 851	368 369
With maturity over 12 months	2 722	1 789
Discounting of receivables	-	-
Total, net trade receivables after discounting	**93 573**	**370 158**

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

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

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

Maturity	**31.12.2015 Audited**	**31.12.2014 Audited**
Up to 12 months	2 130	496
Over 12 months	2 701	1 639
Total	**4 831**	**2 135**

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

The Company has implemented the appropriate policy – it sells only to the verified customers. Due to this fact - in the opinion of the Management Board - there is no additional credit risk exceeding the level specified by the write-down concerning bad debt which is adequate for the trade receivables of the Company. At the balance sheet date 65% of the total receivables of the Trakcja PRKiI are the receivables from PKP PLK S.A. (December 31, 2014: 66%).

Due to the short-term nature of trade receivables, their balance sheet value is close to fair value.

(amounts in thousand PLN, unless stipulated otherwise)

The Company signed on May 10, 2013 a recourse factoring agreement. On December 9, 2014 the annex to the significant factoring agreement was bilaterally signed by virtue of which the funding limit provided in the agreement was changed to PLN 100,000 thousand. As of December 31, 2015, the Company used this limit to the amount of PLN 148 thousand (as of December 31, 2014: PLN 38,338 thousand).

The change of write-offs amount referring to the value of receivables:

	31.12.2015 Audited	31.12.2014 Audited
As at start of period	**13 502**	**7 301**
Increases	**6 973**	**7 694**
Establishment	6 973	7 694
Decreases	**(1 455)**	**(1 493)**
Use	(122)	(1 162)
Dissolution	(1 333)	(331)
As at end of period	**19 020**	**13 502**

Trade receivables and amounts held by maturity:

	31.12.2015 Audited	31.12.2014 Audited
Up to 1 month	69 334	162 516
From 1 month to 3 months	4 682	87 376
From 3 months to 6 months	-	-
From 6 months to 1 year	38	17
More than 1 year	2 722	1 789
Overdue receivables	16 797	118 460
Total, net trade receivables and amounts held	**93 573**	**370 158**

Structure of overdue trade receivables

	31.12.2015 Audited	31.12.2014 Audited
Up to 1 month	9 294	114 447
From 1 month to 3 months	3 525	3 026
From 3 months to 6 months	2 046	750
From 6 months to 1 year	7 587	540
More than 1 year	11 053	10 836
Total, gross overdue trade receivables	**33 504**	**129 599**
Receivables revaluation write-offs	(16 707)	(11 139)
Total, net overdue trade receivables	**16 797**	**118 459**

Currency structure of trade receivables and other receivables:

	31.12.2015 Audited	31.12.2014 Audited
In PLN	120 578	392 566
In foreign currencies - after conversion into PLN, including:	23	1 744
in EUR	23	1 744
Total	**120 601**	**394 310**

(amounts in thousand PLN, unless stipulated otherwise)

Receivables claimed in court:

	31.12.2015 Audited	31.12.2014 Audited
Receivables claimed in court	2 187	1 750
Revaluation write-offs on receivables claimed in court	(2 187)	(1 750)
Total	**-**	**-**

31. Cash and cash equivalents

Cash in bank is interest-bearing according to the variable interest rates which level depends on the interest rate of overnight bank deposits.

Short-term deposits are made for different periods, from overnight to one month, depending on the current demand of the Company for cash and they are interest-bearing according to the negotiated interest rates.

Additionally, in accordance with signed agreements as at December 31, 2015, Trakcja PRKiI S.A. had unused limits for credits in the current account and for working capital credits in the total amount of PLN 114 million (as at December 31, 2013: 142 million PLN).

Currency structure of cash and cash equivalents:

	31.12.2015 Audited	31.12.2014 Audited
In PLN	135 109	13 003
In foreign currencies - after conversion into PLN, including:	916	1 110
in EUR	912	1 107
in USD	4	3
in DKK	1	-
Total	**136 025**	**14 113**

Balance of cash and cash equivalents recognized in the balance sheet and in the cash flow statement consisted of the following items as at:

	31.12.2015 Audited	31.12.2014 Audited
Cash in hand	52	66
Cash at bank	1 495	2 236
Other cash - deposits up to 3 months	133 550	10 830
Other cash - escrow	928	981
Total	**136 025**	**14 113**
Cash and cash equivalents as at end of period	**136 025**	**14 113**

(amounts in thousand PLN, unless stipulated otherwise)

Cash in the bank accounts – by credit ratings:

	31.12.2015 Audited
Bank rated A-	1 299
Bank rated BBB	132 867
Bank rated BB +	1 123
Bank unrated rating	234
Total	**135 523**
Cash in hand	52
The balance of the Social Fund (Note 59)	450
Cash and cash equivalents as at end of period	**136 025**

Credit ratings were prepared by the reknown rating agencies.

32. Assets for sale

On December 18, 2015 Trakcja PRKiI concluded with a subsidiary preliminary agreement for sale of land parcel located at Oliwska 11 Str. In Warsaw. This transaction will be finalized till the end of June 2016. This land parcel was reclassified to the item Assest for sale from the item Tangible fixed assets.

33. Construction contracts

	31.12.2015 Badane	31.12.2014 Badane
Surplus of invoiced revenues over revenues resulting from degree of advancement	49 363	39 851
Surplus of revenues resulting from degree of advancement over invoiced revenues	7 745	25 525
Advances paid towards contracts being performed	770	38
Advances received towards contracts being performed	89	89
Provision for anticipated losses on contracts	363	-
Recognised in balance sheet:		
in current assets		
Construction contracts	**8 515**	**25 563**
in short-term liabilities		
Construction contracts	**49 815**	**39 940**

34. Capital risk management

The goal of the Company in managing the capital risk is to maintain the Company's ability to continue operations and to maintain optimum capital structure in order to provide return on investment to the shareholders. To maintain or to correct the capital structure, the Company may issue new shares, change the amount of dividends paid to the shareholders, increase debt or reduce debt by sale of the assets. The Company monitors the capital structure by using the financing structure ratios. Ratios analyzed by the Company, presented in the table below allow to maintain both good credit rating as well as confirm the fact that the capital structure supports operating activity of the Company.

(amounts in thousand PLN, unless stipulated otherwise)

FINANCING STRUCTURE RATIOS	31.12.2015 Audited	31.12.2014 Audited	Change
Equity to assets ratio	0,66	0,54	0,12
Equity to non-current assets ratio	0,97	0,96	0,01
Debt ratio	0,34	0,46	-0,12
Debt to equity ratio	0,52	0,85	-0,33

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 / fixed assets

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

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

35. Equity

Share capital

As at December 31, 2015 the share capital of the Company amounted to PLN 41,119,638.40 and was divided into 51 399 548 ordinary bearer shares of A series with nominal value PLN 0.80 each. Each share gives the right to one vote at the General Meeting of Shareholders of the Company. All the shares are fully paid.

	31.12.2015 Audited	31.12.2014 Audited
	Par value 0.8 PLN	Par value 0.8 PLN
Series A ordinary shares	51 399 548	51 399 548
Total	**51 399 548**	**51 399 548**

Surplus on sale of shares above their nominal value

As at December 31, 2015 the total surplus on sale of shares above their nominal value amounted to PLN 309,984 thousand and did not change in relation to the value as at December 31, 2014.

Other reserve capitals

Other reserve capitals include:

- Results of previous years – capital resulting from the profits generated in the previous financial years. The Company is obliged to create supplementary capital which is increased by at least 8% of the profit of the current year until it achieves the level of one-third of the share capital. Thus created supplementary capital cannot be distributed.
- Actuarial profits (losses) – the Company recognizes actuarial profits and losses arising from reserves for employee benefits in other comprehensive income and cumulates them in the reserve capital item. This capital cannot be distributed.

Revaluation reserve

In the revaluation reserve there were recognized mainly effects of revaluation resulting from the change of destination of fixed assets.

Retained earnings

The retained earnings of the Company cover the current result for the given financial year.

(amounts in thousand PLN, unless stipulated otherwise)

Distribution of other comprehensive income among individual elements of equity

	Share capital	Share premium account	Revalua-tion reserve	Other capital reserves	Retained earnings	Total
As at 31.12.2015						
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:	**-**	**-**	**-**	**(161)**	**-**	**(161)**
Actuarial gains/(losses)	-	-	-	(161)	-	(161)
Other comprehensive net income	**-**	**-**	**-**	**(161)**	**-**	**(161)**

	Share capital	Share premium account	Revalua-tion reserve	Other capital reserves	Retained earnings	Total
As at 31.12.2014						
Other comprehensive income, which will not be reclassified to profit or loss under certain conditions:	**-**	**-**	**-**	**(1 441)**	**-**	**(1 441)**
Actuarial gains/(losses)	-	-	-	(1 441)	-	(1 441)
Other comprehensive net income	**-**	**-**	**-**	**(1 441)**	**-**	**(1 441)**

(amounts in thousand PLN, unless stipulated otherwise)

36. Provisions

	Provision for legal cases	Provisions for correction works	Provisions for bonuses	Provision for non-competition and compensation	Provisions for balance sheet audit	Cost provisions	Other provisions	Total
As at 1.01.2015	**1 000**	**4 475**	**5 302**	**-**	**58**	**51**	**61**	**10 947**
Recognised in profit and loss account:								
- provision creation	-	4 195	3 647	5 104	208	2 392	-	**15 545**
- release of unused provisions	-	(2 502)	(1 998)	(508)	-	-	-	**(5 008)**
- use of provisions	-	(465)	(5 749)	(3 067)	(167)	(1 155)	(3)	**(10 607)**
Total	**-**	**1 228**	**(4 100)**	**1 529**	**41**	**1 237**	**(3)**	**(68)**
As at 31.12.2015 Audited	**1 000**	**5 703**	**1 202**	**1 529**	**99**	**1 288**	**58**	**10 879**
As at 1.01.2014	**373**	**4 430**	**1 656**	**-**	**109**	**6 110**	**182**	**12 860**
Recognised in profit and								
- provision creation	627	494	5 303	-	180	786	-	**7 390**
- movements	-	120	-	-	-	-	(120)	**-**
- release of unused provisions	-	(321)	(959)	-	(6)	-	-	**(1 286)**
- use of provisions	-	(248)	(698)	-	(225)	(6 845)	(1)	**(8 017)**
Total	**627**	**45**	**3 646**	**-**	**(51)**	**(6 059)**	**(121)**	**(1 913)**
As at 31.12.2014 Audited	**1 000**	**4 475**	**5 302**	**-**	**58**	**51**	**61**	**10 947**

(amounts in thousand PLN, unless stipulated otherwise)

Age structure of provisions:

	31.12.2015 Audited	31.12.2014 Audited
Long-term	4 690	1 638
Short-term	6 189	9 309
Total	**10 879**	**10 947**

37. Interest-bearing bank credits and loans

Long-term interest-bearing bank credits and loans:

	31.12.2015 Audited	31.12.2014 Audited
Bank loans	-	-
- investment loans	-	-
Loans from other entities	13 256	17 562
- project purpose loans	13 256	17 562
Financial lease liabilities	20 084	15 345
Total	**33 340**	**32 907**

Short-term interest-bearing bank credits and loans:

	31.12.2015 Audited	31.12.2014 Audited
Bank loans	-	7 000
- working loans	-	7 000
Loans from other entities	4 304	4 121
- project purpose loans	4 304	4 121
Financial lease liabilities	5 347	4 648
Total	**9 651**	**15 769**
Total short and long term loan and credits	**42 991**	**48 676**

Liabilities concerning credits and loans as at December 31, 2015 are presented in the table below:

Lender	Type of loan/credit	Amount in agreement currency	Currency	Maturity date	Interests	Outstanding amount (in ths. PLN)
mBank S.A.	overdraft	20 000	PLN	28-04-2016	WIBOR O/N + margin	-
mBank S.A.	working capital loans	50 000	PLN	28-04-2017	WIBOR 1M + margin	-
PKO BP S.A.	working capital loans	44 000	PLN	03-07-2016	WIBOR 1M + margin	-
mLeasing Sp. z o.o.	project purpose loans	22 400	PLN	25-10-2019	WIBOR 1M + margin	17 560
					Total	**17 560**

(amounts in thousand PLN, unless stipulated otherwise)

Currency structure of credits and loans of the Company:

	31.12.2015 Audited	31.12.2014 Audited
In PLN	42 991	48 676
In foreign currencies - after conversion into PLN, including:	-	-
in EUR	-	-
Total	**42 991**	**48 676**

Interest rate of credits depends on WIBOR and bank's margins.

As at December 31, 2015, the Company had at its disposal the credit in the current account limit and the limit of the working capital credits up to the total value of PLN 114 million (as at December 31, 2014: PLN 142 million).

Fair value of credits and loans is close to their book value.

38. Bonds

On January 22, 2015 the Management of Krajowy Depozyt Papierów Wartościowych S.A. (KDPW) (the National Securities Depository) passed a resolution on withdrawing 17 914 of E series bearer bonds from the deposit maintained by KDPW. As a result, after the redemption, as at January 26, 2015 there remained 3 007 E-series bearer bonds marked with the ISIN code: PLTRKPL00089.

On December 31, 2015 the Company bought own bonds at their maturity. The bonds were acquired for redemption, according to point 5.1 of the Information Note for C series bonds marked with code PLTRKPL00063 and according to point 5.1 of the Information Note for E series bonds marked with code PLTRKPL00089.

The following bonds were acquired:

- 29 529 C series bonds of nominal value PLN 1,000 each. The unit purchase price of the above mentioned bonds together with interest was PLN 1,027.93 for each acquired bond.
- 3 007 E series bonds of nominal value PLN 1,000 each. The unit purchase price of the above mentioned bonds together with interest was PLN 1,032.97 for each acquired bond.

As at December 31, 2015 the Company had no liabilities resulting from bonds.

39. Other financial liabilities

In the item "Other financial liabilities" the Company presented a factoring liability in the amount of PLN 148 thousand (as at December 31, 2014: PLN 38,338 thousand). The Company entered into a recourse factoring agreement on May 10, 2013. The current funding limit, fixed on the basis of the annex to the agreement that was signed bilaterally on December 9, 2014 amounts to PLN 100,000 thousand. The factoring interest is calculated on the basis of the variable WIBOR O/N rate increased by a factor's fixed margin.

(amounts in thousand PLN, unless stipulated otherwise)

40. Liabilities from employee benefits

Liabilities from the provisions for severance retirement nad pension payments and jubilee awards:

Audited	Provision for pension benefits	Provision for jubilee awards
As at 01.01.2015	**4 714**	**7 491**
Total costs recognised in profit and loss account:		
- Interest costs	98	155
- Current service costs	915	1 853
- Past service costs	-	-
Actuarial losses (profit) recognised in other comprehensive income	199	-
Actuarial losses (profit) recognised in profit and loss statement	-	(627)
Benefits paid	(1 828)	(1 926)
Total	**(616)**	**(545)**
As at 31.12.2015 Audited	**4 098**	**6 946**

Audited	Provision for pension benefits	Provision for jubilee awards
As at 01.01.2014	**3 278**	**8 599**
Total costs recognised in profit and loss account:		
- Interest costs	123	322
- Current service costs	2 051	847
- Past service costs	(308)	(672)
Actuarial losses (profit) recognised in other comprehensive income	134	1 646
Benefits paid	(564)	(3 251)
Total	**1 436**	**(1 108)**
As at 31.12.2014 Audited	**4 714**	**7 491**

Liabilities resulting from to provisions for unused leaves:

Provisions for unused leaves	31.12.2015 Audited	31.12.2014 Audited
Balance at the beginning of the period	**4 589**	**3 983**
Recognised in income statement:		
- provision creation	1 835	1 486
- release of unused provision	-	-
- use of provision	(1 377)	(880)
Total	**458**	**606**
Balance at the end of the period	**5 047**	**4 589**

(amounts in thousand PLN, unless stipulated otherwise)

Age structure of liabilities from employee benefits:

	Provisions for retirement and pensions	Provision for jubilee awards
Within 1 year	363	1 312
From 1 year to 4 years	1 333	2 826
More than 4 years	2 402	2 808
Total	**4 098**	**6 946**

The weighted average period of validity of benefits after the employment period is finished is 4 years.

Analysis of employee benefits payments before discounting:

	Provisions for retirement and pensions	Provision for jubilee awards
Within 1 year	371	1 342
From 1 year to 4 years	1 427	3 021
More than 4 years	2 656	3 413
Total	**4 454**	**7 776**

Age structure of liabilities from employee benefits:

	31.12.2015 Audited	31.12.2014 Audited
Long-term	9 369	9 851
Short-term	6 722	6 944
Total	**16 091**	**16 795**

Principles of creation of provisions for employees benefits:

The Company pays the retiring employees amounts of severance retirement payments in the amount specified by the Remuneration Regulations. In relation to this, the Company on the basis of the assessment performed on the grounds of actuarial methods, creates a provision for the present value of liabilities from severance payments and jubilee awards.

To calculate the provision for retirement severance and jubilee awards as at December 31, 2014 the discount rate of 2.51% and increase of salaries of 1.8% was taken while as at December 31, 2015 the assumed discount rate was 2.25% and increase of salaries of 1.8%.

The table below presents the sensitivity analysis of liabilities from employee benefits:

Factor applied	Reasonably possible change of the factor	Liabilities due to employee benefits: increase	Liabilities due to employee benefits: decrease
Discount rate	+/- 1%	(454)	471
Salary growth	+/- 1%	493	(460)

The present value of liabilities from future employee benefits is equal to their balance sheet value.

(amounts in thousand PLN, unless stipulated otherwise)

41. Trade liabilities and other liabilities

	31.12.2015 Audited	31.12.2014 Audited
Trade liabilities, before discounting	152 424	254 011
Discounting of liabilities	-	-
Total, net trade liabilities after discounting	**152 424**	**254 011**
including:		
- liabilities from related entities	2 755	3 794
Amounts held	10 872	11 680
Budgetary liabilities	4 665	17 449
Payroll liabilities	1 948	2 078
Other liabilities towards third parties	2 235	967
Z tytułu dywidend i innych wypłat z zysku	10 254	-
Total trade and other liabilities	**182 398**	**286 185**

Other liabilities to the related entities refer to the transaction described in Note 24 to these financial statement.

Liabilities to the related companies are shown in Note 54.

The structure of trade liabilities by maturities and amounts held:

	31.12.2015 Audited	31.12.2014 Audited
Trade liabilities before discounting	163 296	265 691
With maturity within 12 months	161 507	264 845
With maturity over 12 months	1 789	846
Discounting of liabilities	-	-
Total, Trade liabilities and amounts held after discounting	**163 296**	**265 691**

Liabilities due with maturity longer than 12 months constitute amounts held.

In 2015 and 2014, the Company ceased to discount the long-term liabilities due to its minor importance.

Due to the short-term nature of the trade liabilities their balance sheet value is close to their fair value.

Currency structure of trade liabilities and other liabilities:

	31.12.2015 Audited	31.12.2014 Audited
In PLN	181 171	281 536
In foreign currencies - after conversion into PLN, including:	1 227	4 649
in EUR	1 125	4 646
Total	**182 398**	**286 185**

Principles and conditions of payment of liabilities:

Trade liabilities are non-interest-bearing and are usually settled at the dates from 30 to 60 days. Liabilities older than 12 months constitute amounts held and are related to execution of the construction and installation contracts in order to assure on-time and correct execution of the contract. The remaining liabilities are non-interest-bearing, with average one-month date of payment. The amount resulting from the difference between the liabilities and receivables resulting from the goods and services tax is paid to proper tax authorities within the periods resulting from tax regulations. Liabilities from interest are usually settled on the basis of accepted interest notes.

(amounts in thousand PLN, unless stipulated otherwise)

42. Liabilities from operating lease – Company as a lessee

As at December 31, 2015 the Company includes in the operating lease the right of perpetual usufruct of lands in the amount of PLN 1,567 thousand. In the comparable period as well as partly in the current period, the Company was also a party to operating lease agreements concerning machines, equipment, vehicles, and other fixed assets. All the operating lease agreement mentioned above were terminated in the current reporting period.

The cost of operating lease payments concerning operating lease agreements recognized in the financial result as at December 31, 2015 amounted to PLN 409 thousand while as at December 31, 2014 amounted to PLN 591 thousand.

The total amount of the future minimum lease payments amount to:

	31.12.2015 Audited	31.12.2014 Audited
Within 1 year	91	227
Within 1 to 5 years	363	363
Powyżej 5 lat	6 268	6 359
Total	**6 722**	**6 949**

The future payments concerning the right of perpetual usufruct of lands:

	31.12.2015 Audited	31.12.2014 Audited
Within 1 year	830	830
Within 1 to 5 years	3 319	3 319
Over 5 years	57 270	58 100
Total	**61 419**	**62 249**

The liabilities from the right of perpetual usufruct of lands were estimated on the basis of annual rates of payments resulting from the last administrative decisions and from the period of use of lands to which this right is applicable.

43. Liabilities from financial lease agreements

The Company uses part of production equipment within the financial lease agreements. The Company has the possibility to buy the leased equipment for its nominal value amount at the end of the lease agreement. The Company's financial lease liabilities are secured by the lessors' rights to the assets components covered by the agreement.

(amounts in thousand PLN, unless stipulated otherwise)

The future minimum lease fees from these agreements and the present value of the net minimum lease fees is as follows:

	31.12.2015 Audited	31.12.2014 Audited
Nominal value of minimum leasing fees		
Within 1 year	6 628	5 579
Within 1 to 5 years	21 202	17 306
Over 5 years	903	-
Total financial lease liabilities - total minimum leasing fees	**28 733**	**22 885**
Financial costs on account of financial lease	**(3 302)**	**(2 892)**
Present value of minimum leasing fees		
Within 1 year	5 347	4 648
Within 1 to 5 years	19 201	15 345
Over 5 years	883	-
Total present value of minumum leasing fees	**25 431**	**19 993**

The age structure of financial lease liabilities:

	31.12.2015 Audited	31.12.2014 Audited
Long-term	20 084	15 345
Short-term	5 347	4 648
Total	**25 431**	**19 993**

44. Liabilities from operating lease – Company as a lessor

The Company is a party to the lease agreements in which is a lessor. The agreements refer to renting space in the investment property possessed by the Company. The lessee has no possibility to buy the leased components of the investment property after the agreement expires.

The total amount of the future minimum income from operating lease as at December 31, 2015 and as at December 31, 2014 is as follows:

	31.12.2015 Audited	31.12.2014 Audited
Within 1 year	187	183
Within 1 to 5 years	-	-
Over 5 years	-	-
Total	**187**	**183**

45. Information about the financial instruments

During the period covered by the annual financial statement and in the comparable period, the Company possessed the following financial instruments:

- loans granted and own receivables – cash and short-term deposits, trade receivables and other receivables (without budget receivables), short-term granted loans, bank guarantee deposits that constitute collateral of bank guarantees provided to the Company;
- financial liabilities assessed at the amortized cost – bank credits, bonds, factoring and lease liabilities, trade payables and other liabilities (without budget liabilities).

(amounts in thousand PLN, unless stipulated otherwise)

	Loans and receivables	Financial liabilities measured at amortised cost
As at 1.01.2015	**430 231**	**388 110**
Increases	**140 768**	**695 100**
Acquisition, establishment	139 285	694 900
Valuation	-	200
Przekwalifikowanie	1 483	-
Decreases	**(316 894)**	**(862 338)**
Sale, dissolution, repayment	(315 411)	(862 155)
Valuation	-	(183)
Przekwalifikowanie	(1 483)	-
As at 31.12.2015	**254 105**	**220 871**
including:		
Disclosed in balance sheet, indicating balance sheet item		
recognised as non-current assets		
Other financial assets	4 671	-
Total	**4 671**	**-**
recognised as current assets		
Trade and other receivables	101 581	-
Other financial assets	11 828	-
Cash and cash equivalents	136 025	-
Total	**249 434**	**-**
recognised as long-term liabilities		
Interest-bearing loans and borrowings	-	33 340
Total	**-**	**33 340**
recognised as short-term liabilities		
Interest-bearing loans and borrowings	-	9 651
Trade and other liabilities	-	177 733
Other financial liabilities	-	148
Total	**-**	**187 532**
Total	**254 105**	**220 872**

(amounts in thousand PLN, unless stipulated otherwise)

	Loans and receivables	Financial liabilities measured at amortised cost
As at 1.01.2014	**423 958**	**433 052**
Increases	**248 640**	**464 454**
Acquisition, establishment	248 640	461 966
Valuation	-	2 489
Decreases	**(19 752)**	**(509 397)**
Sale, dissolution, repayment	(242 368)	(509 397)
Valuation	-	-
As at 31.12.2014	**430 230**	**388 109**
including:		
Disclosed in balance sheet, indicating balance sheet item		
recognised as non-current assets		
Other financial assets	9 482	-
Total	**9 482**	**-**
recognised as long-term liabilities		
Trade and other receivables	380 808	-
Other financial assets	25 828	-
Cash and cash equivalents	14 113	-
Total	**420 749**	**-**
recognised as long-term liabilities		
Interest-bearing loans and borrowings	-	32 907
Total	**-**	**32 907**
recognised as short-term liabilities		
Interest-bearing loans and borrowings	-	15 769
Trade and other liabilities	-	268 736
Other financial liabilities	-	38 338
Bonds	-	32 360
Total	**-**	**355 203**
Total	**430 231**	**388 110**

(amounts in thousand PLN, unless stipulated otherwise)

46. Fair value of the financial instruments

Comparison of fair value and the book value:

	As at 31.12.2015		As at 31.12.2014	
Classes of financial instruments	**Book value**	**Fair value**	**Book value**	**Fair value**
Loans granted	2 820	2 820	21 267	21 267
Bank guarantees deposits	13 679	13 679	14 043	14 043
Trade and other receivables (excluding budgetary receivables)	97 947	97 947	380 808	380 808
Cash and cash equivalents	136 025	136 025	14 113	14 113
Interest-bearing loans and borrowings, financial lease liabilities	42 991	42 991	48 676	48 676
Bonds	-	-	32 360	33 039
Financial factoring liabilities	148	148	38 338	38 338
Trade and other liabilities (excluding budgetary liabilities)	177 733	177 733	268 736	268 736

Methods and - in case that valuation technique was applied - assumptions used in determination of fair value of each class of financial instruments

Because of the short-term nature of trade receivables and other receivables, trade payables and other liabilities and cash and cash equivalents, the balance sheet value of these financial instruments is close to their fair value.

Loans granted and credit and loans taken are based on the variable market rates based on WIBOR; hence their fair value is close to the balance sheet value.

Fair value of the bonds as at December 31, 2014 was determined based on the price quoted on the Catalyst bond market as at the balance sheet date (or at the approximate date).

The Company uses the following hierarchy for determination and disclosure 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 markets, but other than prices of market quotations – fixed directly (by comparing with actual transactions) or indirectly (by using techniques based on actual transactions);

Level 3 – prices that are not from active markets.

	Level 1		Level 2		Level 3	
Financial instruments as at fair value	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Bonds	-	33 039	-	-	-	-

Both in the reporting period as well as in the comparable period, there were no shifts between level 1 and 2 of the hierarchy of fair value took place nor any of the instruments was shifted from level 2 to level 3 of fair value hierarchy.

47. Goals and principles of managing the financial risk

Trakcja PRKiI within conducted operating activity is exposed to several financial risks. The risk management effected by the Company aims at minimizing influence of unfavorable factors on the financial results.

Currency risk

(amounts in thousand PLN, unless stipulated otherwise)

The activities of the Company are not significantly exposed to exchange rates fluctuations. As at December 31, 2015 the Company had cash assets of EUR 214 thousand (as at December 31, 2014: EUR 260 thousand) and had cash liabilities in the amount of EUR 264 thousands and DKK 178 thousand (31.12.2014: EUR 1,090 thousand).

Risk related to growth of the portfolio of overdue receivables

At the day of preparing this annual financial statement, the Company controls the level of overdue receivables. The situation when contracting parties in the future shall not be able to pay on time their liabilities, which can significantly and negatively influence the financial standing of the Company – cannot be however excluded.

Risk related to liquidity

Like most of the companies operating in the construction industry the Company shows seasonality of sale resulting in generation of major part of incomes in the second half of the calendar year and significantly lower level of incomes in the first quarter, which influences much the liquidity management and the Company's demand for working capital. The Company liquidity is influenced also by the circumstance that its major receivers obtain financial resources for purchase of services provided by the Company from the subsidies of the Government of Poland and from the European Union. The legal regulations that constitute the basis of such subsidies do not allow to dedicate them to finance VAT tax. It cannot be excluded, that receivables concerning VAT due can be paid by the receivers to the Company with delay, which will not release the Company from the obligation to pay this tax in the time regimes stipulated in the Law.

Irregularity of payments from receivers may negatively influence the Company's liquidity. On the other hand, Trakcja PRKiI, while executing the construction contracts, obtains advance money for performing the works (in amounts varying from 10% to 20%) which improves the financial liquidity of the Company and enables to finance the initial costs of construction regardless of the invoicing for the performed services. Unexpected variations of liquidity and unexpected growth of working capital needs may have significant and negative influence on the financial standing of the Company.

In order to minimize the risk of loss of liquidity, the Company uses external sources of financing in the form of loans (working capital, overdraft and investment loans) and factoring financing. The state of liabilities from credits and loans as at December 31, 2015, together with their maturity is presented in Note 37. Additionally, the Company invests cash surpluses in interest-bearing current accounts, term deposits, money market deposits, selecting instruments that have adequate maturity or sufficient liquidity to assure sufficient reserve.

In the table below – the analysis of the Company's liabilities in the net amounts by maturities adequately to the period remaining at the balance sheet date to the contractual maturity - is presented. The amounts shown in the table are contractual not discounted cash flows.

As at 31.12.2015 **Audited**	**To 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**In the period from 1 to 5 years**	**Over 5 years**
Interest-bearing loans and borrowings	415	830	3 735	14 110	-
Financial lease liabilities	1 139	1 094	4 395	21 203	902
Financial factoring liabilities	148	-	-	-	-
Trade and other liabilities	126 696	29 278	4 791	2 328	201

Risk of interest rate

As at December 31, 2015 and as at December 31, 2014 there is a risk related to the changes of the interest rates in relation to interest of credits and loans taken by the Company, factoring liabilities and in relation to the financial lease agreements. Detailed information about the credits and loans taken by the Company is included in Note 37.

The analysis of the impact of the interest rate variability on the financial result of the Company as at December 31, 2015 and as at December 31, 2014 is presented below. In order to perform the analysis of sensitivity to the interest rate changes, the interest rate changes were estimated as at December 31, 2015 and as at December 31, 2014 at the rationally forecasted level, i.e. ±1 percentage point.

(amounts in thousand PLN, unless stipulated otherwise)

	Value at the balance-sheet date	Sensitivity to changes as at December 31, 2015	
		+ 100 pb	- 100 pb
Trade receivables (present value)	105 449		
Trade payables (present value)	152 424		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	149 704	426	(426)
Loans and credits, factoring liability, bonds (nominal value/interest)	43 140	(826)	826
Gross impact on period result and net assets		**(400)**	**400**
Deferred tax		(76)	76
Total		**(324)**	**324**

	Value at the balance-sheet	Sensitivity to changes as at December 31, 2014	
		+ 100 pb	- 100 pb
Trade receivables (present value)	381 613		
Trade payables (present value)	265 691		
Cash and cash equivalents, bank guarantee deposits (nominal value/ interest)	28 156	339	(339)
Loans and credits, factoring liability, bonds (nominal value/interest)	119 374	(1 902)	1 902
Gross impact on period result and net assets		**(1 563)**	**1 563**
Deferred tax		297	(297)
Total		**(1 266)**	**1 266**

Credit risk

Credit risk of the Company is related mainly with trade receivables. Trakcja PRKiI S.A. applies the policy of concluding contracts with contracting parties of high credibility and of verified credit capacity. The evaluation of the credit capacity is performed regularly. In case of negative evaluation of the future credit capacity of the contracting party, the Company applies adequate financial or property security in order to minimize credit risk. The employees from financial department monitor on the current basis the status of receivables thus 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 security). Since at the balance sheet date 65% of the total receivables of the Company were the receivables from PKP PLK S.A. there is significant concentration of the credit risk.

Disclosures relating to the overdue trade receivables and made write-offs relating to trade receivables are presented in Note 30.

Loans granted are mainly the loans granted to the subsidiary. The credit risk of such loan is limited because the Company controls the operating activities of the subsidiary.

The Company cooperates with financial institutes of high credibility. Free cash is deposited in several banks in order to avoid concentration of risk related to liquid resources.

The maximum exposure to credit risk is equal to the balance sheet value of the following financial instruments:

(amounts in thousand PLN, unless stipulated otherwise)

	Book value	
The maximum exposure to credit risk	31.12.2015	31.12.2014
Loans to:	2 820	21 267
- unrelated parties	-	2 179
- subsidiaries	2 820	19 088
Trade receivables and other gross beyond budget:	116 967	394 310
- from unrelated parties	113 645	391 226
- from subsidiaries	3 322	3 084
Cash and cash equivalents	136 025	14 113
Bank guarantees deposits	13 679	10 129
Total	**269 491**	**435 934**

Objectives and principles of managing the financial risk

The Company manages the financial risk by identification, monitoring and reporting its factors which aims at limiting the negative influence of the currency risk factors on cash flows and on the Company's economic result. Derivatives are valued in the Company at fair value. The Company for the purposes of registration uses the valuations made by the banks.

48. Balance sheet items measured at fair value

The following table shows all the items of the balance sheet measured at fair value with the indication of the level of fair value hierarchy assigned to the items.

	31.12.2015 Audited	**Level 1**	**Level 2**	**Level 3**
Investment property:	**17 602**	-	-	17 602
Office property	17 602			17 602
- land	13 532			13 532
- buildings	4 070			4 070

	31.12.2014 Audited	**Level 1**	**Level 2**	**Level 3**
Investment property:	**17 602**	-	-	17 602
Office property	17 602			17 602
- land	13 532			13 532
- buildings	4 070			4 070

The assumptions used for determination of fair value of the investment property are described in Note 22 of the Additional information and explanations.

(amounts in thousand PLN, unless stipulated otherwise)

49. Conditional receivables and liabilities

Conditional receivables and liabilities are presented in the table below:

	31.12.2015 Audited	31.12.2014 Audited
Contingent receivables		
From related entities due to:	**94 664**	**123 039**
Received guarantees and sureties	89 162	113 573
Bills of exchange received as collateral	5 502	9 466
Total contingent receivables	**94 664**	**123 039**
Contingent liabilities		
From related entities due to:	**809**	**-**
Provided guarantees and sureties	809	-
From other entities due to:	**2 269 160**	**1 684 351**
Provided guarantees and sureties	394 038	300 979
Promissory notes	439 152	403 850
Mortgages	99 000	229 500
Assignment of receivables	1 238 501	626 397
Assignment of rights under insurance policy	41 586	60 777
Security deposits	20 140	25 530
Other liabilities	36 743	37 318
Total contingent liabilities	**2 269 969**	**1 684 351**

Contingent liabilities from granted guarantees and sureties to other entities include above all guarantees granted by banks and insurance companies to the Company's clients as a collateral of their claims against the Company that is related with construction contracts that are being executed (guarantee of good performance of the contract, guarantee of removal of defects and faults, guarantee to refund the advance payment). The banks are entitled to back these claims against the Company. Promissory notes constitute another form of collateral of bank guarantees, that are mentioned above.

Apart from the conditional receivables and liabilities mentioned above, the Company as at December 31, 2015 possessed conditional receivables in amount of PLN 1,310 thousand (31.12.2014: PLN 1,561 thousand) resulting from the signed employment contracts with its employees). In the event of a manager's failure to comply with his or her duties defined in Art. 1 of the Non-Compete Agreement, this manager will pay, immediately and without a termination notice or any demand from the Company, the penalty to the Company for the amount a PLN equivalent of EUR 25,000 for each instance of infringement and a PLN equivalent of EUR 1,000 for each day in which such an infringement takes place or is continued.

The Company as at December 31, 2015 possessed also the contingent liabilities for the amount of PLN 6,368 thousand (31.12.2014: PLN 8,339 thousand).

Tax settlements and other fields of the business that are subject to regulations (e.g. customs and currencies issues), may be the subject of administrative bodies' control, which are entitled to impose high penalties and sanctions. Lack of reference to fixed legal regulations in Poland causes the occurrence of unclear and incoherent statements in the obligatory regulations. Frequent differences in opinions as to legal interpretation of tax regulations both inside the national bodies and between the national bodies and the companies, create the fields of conflicts and uncertainty. These phenomena cause that tax risk in Poland is significantly higher that tax risk usually existing in the countries with more developed tax system. The tax settlements may be the subject of control for the period of five years, starting from the end of year in which the tax was paid. As a result of the performed controls, previous tax settlements of the Company may be increased by additional tax obligations. In the Company's opinion, at the end of 2015, adequate provisions for the recognized and measurable tax risk were created.

50. Important litigate cases and disputes

As of 31 December 2015, 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 individually would be at least equivalent to 10% of the equity of Trakcja PRKiI S.A.

The Company also informs that the total value of proceedings concerning Company's claims and liabilities is at least 10% of the Company's equity. Within the group of claims the total value of proceedings is PLN 70,922,292.36 and in the group of liabilities is PLN 5,819,958.8.

The major proceeding in the group of claims:

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

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

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

The major proceeding in the group of liabilities:

Case initiated under action by Eiffage Polska Koleje Sp. z o.o. based in Warsaw.

Eiffage Polska Koleje Sp. z o.o. based in Warsaw filed on 21 April 2015 a suit for payment for the amount of PLN 2,975,851.31 against Trakcja PRKiI S.A. and PKP Polskie Linie Kolejowe S.A. seeking compensation in respect of unpaid invoices for subcontracted work. The Company filed an objection, and now the case is pending. The court has not yet set a new date of hearing.

Other trials:

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

The Company informs that in the period covered by the report, i.e. on 10 March 2015, by a decision of District Court for the Capital City of Projekt-Bud Sp. z o.o.(hereinafter "the Bankrupt") was declared bankrupt with the possibility of an arrangement. The Company has submitted its claims against the Bankrupt in total amount of PLN 9,708,613.62. The total amount of lodged claims comprises claims under lease of locomotives and wagons, equipment rental, sales contracts, performed works and the contractual penalty charged against the Bankrupt. On 31 December 2015, a direct payment of PLN 7,382 827.30 by PKP PLK (Awarding Entity) took place. In view of the above, as of the date of approval of these financial statements, the Company has a claim against the Bankrupt in the amount of PLN 2,325,786.32.

(amounts in thousand PLN, unless stipulated otherwise)

51. Dividends paid and declared

In 2015 Trakcja PRKiI did not pay any dividend. On June 25, 2015, the Annual General Meeting of Shareholders of Trakcja PRKiI was held and a resolution was adopted to allocate the net profit of 2014:

- in the amount of PLN 6,631,213.92 to cover the losses of the period started on January 1, 2012 and ended on December 31, 2012,
- in the amount of PLN 43,165,463,92 to the supplementary capital.

52. Assets pledged as security

Assets pledged as security by their book value:

	31.12.2015 Audited	31.12.2014 Audited
Tangible non-current assets	34 901	43 780
Investment property	-	17 602
Deposits	20 140	25 530
Receivables	14 256	172 380
Total	**69 297**	**259 292**

53. Information about granted guarantees and warrants as well as security on the property

As at December 31, 2015, the Company had the following security established on its assets:

Mortgages

Charged property	The amount of a mortgage	Mortgaged	Comments
Real estate situated in Warsaw at Street Golędzinowska, Skaryszewska, Gniewkowska, Oliwska and in Wroclaw Street Lotnicza	24 000	Credit	Tangibles asstes
The property is located in Wroclaw Street Kniaziewicza	75 000	Credit	Tangibles asstes
TOTAL	**99 000**		

Deposits

Collateral	The amount of load
Securing proper execution of contracts	18 510
Secure payment on the lease agreements	1 279
Tender guarantee	240
Other	110
TOTAL	**20 140**

54. Information on related companies

Total amounts of transactions concluded with related entities in the given financial year are presented below:

(amounts in thousand PLN, unless stipulated otherwise)

Related entities	Financial year	Sale to related entities	Purchases from related entities	Interest revenue	Interest costs	Financial income due to dividends received
Shareholders:						
COMSA S.A.	1.01.15-31.12.15	-	1 760	-	-	-
	1.01.14-31.12.14	-	1 274	-	-	-
Subsidiaries:						
PRK7 Nieruchomości Sp. z o.o.	1.01.15-31.12.15	30	62	-	-	1 301
	1.01.14-31.12.14	18	551	-	-	-
Torprojekt Sp. z o.o.	1.01.15-31.12.15	140	2 455	20	-	301
	1.01.14-31.12.14	149	978	-	-	-
AB Kauno Tiltai	1.01.15-31.12.15	3 033	-	-	-	14 241
	1.01.14-31.12.14	2 866	10	-	-	14 824
PEUiM Sp. z o.o.	1.01.15-31.12.15	32	6	648	-	-
	1.01.14-31.12.14	144	-	759	-	-
Dalba Sp. z o.o.	1.01.15-31.12.15	19	-	-	-	-
	1.01.14-31.12.14	34	-	-	-	-
AB Kauno Tiltai Lenkijos skyrius	1.01.15-31.12.15	-	-	-	-	-
	1.01.14-31.12.14	-	4	-	-	-
Joint venture:						
BTW Sp. z o.o.	1.01.15-31.12.15	981	5 198	-	-	-
	1.01.14-31.12.14	665	6 976	-	-	-
Total	**1.01.15-31.12.15**	**4 235**	**9 481**	**668**	**-**	**15 843**
	1.01.14-31.12.14	**3 876**	**9 793**	**759**	**-**	**14 824**

Information concerning receivables and liabilities from / to related entities at the end of the given financial year is presented below:

(amounts in thousand PLN, unless stipulated otherwise)

Related entities	Reporting date	Receivables from related entities	Liabilities towards related entities	Loans granted	Borrowings received
Shareholders:					
COMSA S.A.	31.12.2015	-	1 011	-	-
	31.12.2014	-	1 050	-	-
Subsidiaries:					
PRK7 Nieruchomości Sp. z o.o.	31.12.2015	20	-	2 820	-
	31.12.2014	127	74	-	-
TORPROJEKT Sp. z o.o.	31.12.2015	10	1 131	-	-
	31.12.2014	30	336	-	-
AB Kauno Tiltai	31.12.2015	3 098	10 257	-	-
	31.12.2014	3 002	3	-	-
PEUiM Sp. z o.o.	31.12.2015	-	-	-	-
	31.12.2014	23	-	19 088	-
Dalba Sp. z o.o.	31.12.2015	-	-	-	-
	31.12.2014	5	-	-	-
AB Kauno Tiltai Lenkijos skyrius	31.12.2015	-	-	-	-
	31.12.2014	-	1	-	-
Joint venture:					
BTW Sp. z o.o.	31.12.2015	194	1 484	-	-
	31.12.2014	19	2 331	-	-
Total	31.12.2015	**3 322**	**13 883**	**2 820**	**-**
	31.12.2013	**3 206**	**3 795**	**19 088**	**-**

Transactions with related parties are concluded at market conditions.

The Company signed the following agreement with its shareholder COMSA S.A., relating to granting to Trakcja PRKiI a license for the entire technical know-how and a trademark, as well as providing non-material goods in the form of: competences, industry knowledge, expert knowledge in terms of organization, operations, sales and technology owned by COMSA S.A. The contract was concluded at arm's length. Remuneration for providing the above services by COMSA S.A. in 2015 amounted to PLN 1,760 thousand.

Unpaid amounts are not secured and will be settled through the cash item. No guarantees were granted or issued. During the reporting period, no costs – of doubtful and threatened receivables resulting from transactions with related entities - were recognized.

The balance of loans granted to related parties as at December 31, 2015 is presented in the table below:

Borrower	Amount of loan (ths. PLN)	Currency	Maturity date	Interests	Amount left to be paid	Capital relationship
PRK 7 Nieruchomości Sp. z o.o.	3 500	PLN	31.12.2016	WIBOR 1 M + margin	2 820	subsidiary
Total	**3 500**				**2 820**	

Loans granted to subsidiaries are included in the short-term part in the position “Other financial assets”.

(amounts in thousand PLN, unless stipulated otherwise)

55. Information on the benefits for the key personnel

Remuneration of the managers of higher level and members of the supervisory bodies of the Company in 2015:

The remuneration of the Management Board of Trakcja PRKiI S.A.:

	For the period 12 months ended			
Remuneration of the Management Bo	31.12.2015 Audited		31.12.2014 Audited	
	In Parent Company	**In subsidiaries**	**In The Parent Company**	**In subsidiaries**
Salaries and other current employee benefits	7 462	1 746	5 582	1 220
post-employment benefits	639	-	-	-
other long-term benefits	-	-	-	-
Benefits due to termination of employment	4 439	-	1 487	-
Share-based payment	-	-	-	-
Total	**12 540**	**1 746**	**7 069**	**1 220**

The members of the Management Board of Trakcja PRKiI were not shareholders or controlling shareholders that co-controlled or had significant influence on the entities outside Trakcja Group.

In 2015 the Company did not conclude significant transactions with the management.

Details of agreements concluded with the management were described in section 5.10 whereas additional information concerning the remuneration of members of the Management Board and Supervisory Board are presented in section 5.9 of the Management Report on the Activities of Trakcja PRKiI for the financial year ended on December 31, 2015.

The remuneration of the Supervisory Board of Trakcja PRKiI S.A.

	For the period 12 months ended			
Remuneration of the Supervisory Board	31.12.2015 Audited		31.12.2014 Audited	
	In Parent Company	**In subsidiaries**	**In The Parent Company**	**In subsidiaries**
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	378	512	438	-
Total	**378**	**512**	**438**	**-**

56. Important events during the financial year and after the balance sheet date

After the balance sheet date to the date of publication of this annual financial statements, i.e. till March 21, 2016, no events occurred that were not, and should have been included in the accounting books of the financial year.

(amounts in thousand PLN, unless stipulated otherwise)

Important events in 2015 years	CR
Significant agreements - construction contracts	
Signing by Trakcja PRKiI S.A. and PKP PLK S.A. the annexe to the material agreement for design and reconstruction of the railway station Łódź Widzew as well as part of the route Łódź Fabryczna – Łódź Widzew from 2,250 km to 7,200 km, including signalling and telecommunications equipment for the entire section Łódź Fabryczna – Łódź Widzew, and modernisation of roundabout line Łódź Widzew – Łódź Chojny – Łódź Kaliska, concluded on June 30, 2011. Appendix changes the date of the contract as at December 14, 2015.	CR 1/2015
Signing by Company and PKP PLK S.A. of the agreement for the "Performance of additional works such as designing and constructing the collision-free two-level crossing of the railway line no. 17 and Niciarniana street in Łódź, under the OPIE 7.1 – 24.2 "Improvement of the Łódź Railway Junction (TEN-t), stage 1, Łódź Widzew – Łódź Fabryczna section"". The net value of the contract PLN 56,045,000.00. The term of the full scope of this contract is divided into parts and the latest of them will be made until August 30, 2016.	CR 2/2015
Signing by Trakcja PRKiI S.A. the Representative of the Consortium and PKP PLK S.A. modifying the material agreement no. 90/104/121/00/17000031/10/I/I of November 30, 2010 with respect to the "Modernisation of E30 railway line, stage 2, Zabrze - Katowice - Cracow section Tender no. 1 - Modernisation of the following sections: Jaworzno Szczakowa – Trzebinia (15,810 - 29,110 km of line no. 133) Jaworzno Szczakowa – Sosnowiec Jęzor (0,000 – 6,847 km of line 134)". Under the agreement has been modified time limit for completion of the works until june 30, 2015 and the scope of work which will be the new net value PLN 55.860.846,48.	CR 3/2015
Making a settlement by Consortuim Trakcja Polska and PKP PLK S.A. the Agreement concluded on 31 May 2010 with respect to the performance of construction works of the comprehensive modernisation of rail station and route in the area LCS Działdowo under OPI&E 7.1-41: "Modernisation of railway line E-65/C-E 65 in the section Warsaw - Gdynia - LCS Działdowo". Making the pre-court Agreement with the Ordering Party, on the basis of which the Ordering Party is obliged to pay for the benefit of the Consortium the amount of PLN 15,740,228.58. Additionally, regardless of the Agreement, the Ordering Party undertakes to pay the Consortium the amount of PLN 7,259,771.42 to cover the costs of performing the Contract in the extended period of time and the Contract Engineer accepted the gross amount of PLN 17,997,919.06, which the Ordering Party undertook to pay for the benefit of the Consortium.	CR 6/2015
Signing by Consortium Trakcja (consisting of: trakcja PRKiI S.A. and PNiUIK Sp. z o.o.) the annexe to Agreement no. 90/132/281/00/11000838/10/I/I of 2 November 2010 for the Design and performance of the construction works on the railway line Cracow – Medyka – the Polish border in the section Podłęże – Bochnia in km 16,000 – 39,000 under the Project "Modernisation of railway line E 30/C-E 30, section Cracow - Rzeszów, stage 3". The annexe changes the date of the contract as at November 1, 2015.	CR 12/2015
Signing by Trakcja PRKiI S.A. as a representative of the Consortium composed of Trakcja PRKiI S.A. and Przedsiębiorstwo Napraw i Utrzymania Infrastruktury Kolejowej w Krakowie Sp. z o.o. with PKP Polskie Linie Kolejowe S.A. of the amendment to the material agreement for designing and execution of construction work on the railway line Kraków – Medyka – national border at the section Dębica – Sędziszów Małopolski, km 111,500 – 133,600, as part of the Project "Upgrade of the Railway Line E 30/C-E 30, section Kraków – Rzeszów, stage III"; Tender procedure 2.2 concluded on 16 December 2010. By virtue of the amendment the date to terminate works was extended by 37 days until August 14, 2015. Additionally, the Consortium submitted to the Ordering Party the motion on extension of time to complete works by 547 days because of the occurrence of circumstances for which the Consortium, in accordance with the agreement can't bear responsibility.	CR 30/2015
Signing by the Issuer's subsidiary AB Kauno Tiltai and the Municipality of Vilnius city the agreement on construction of a Trans-European Network Node – 3rd stage of the Western Ring Road of the City of Vilnius – from Ozo Street to Ukmergės Street. The net value of the agreement is PLN 271,592,969.41 and the share of AB Kauno Tiltai in the agreement's value is 68%.	CR 31/2015
Signing by Trakcja PRKiI S.A. with PKP PLK S.A. the agreement on development of detailed designs and performance of works for LCS Warszawa Okęcie as part of the Operational Programme Infrastructure and Environment 7.1-19.1.a. entitled "Upgrade of the railway line No. 8, section Warszawa Okęcie – Radom (LOT A, B, F). The agreement's net value is PLN 376,199,967,00.	CR 32/2015

(amounts in thousand PLN, unless stipulated otherwise)

Signing by Trakcja PRKiI S.A. with PKP PLK S.A. the amendment to the material agreement on designing and execution of construction works for the railway line Kraków-Medyka- national border at the section Dębica – Sędziszów Małopolski, km 111,500 – 133,600, as part of the Project "Upgrade of the Railway Line E 30/C-E 30, section Kraków – Rzeszów, stage III"; Tender procedure 2.2 concluded on 16 December 2010. By virtue of the amendment the date to terminate works was extended until November 10, 2015.	CR 35/2015
Signing by Issuer's subidiary AB Kauno tiltai based in Kaunas (Lithuania) signed an agreement with the Lithuanian Roads Authority of the Lithuanian Ministry of Transportation, on extension of Road E67 (Via Baltica) of the trans-European network at the section Kaunas - Marijampole. Net value of the contract is EUR 31,831,964.31 that is PLN 134,728,788.94.	CR 36/2015
Mutual signing by Trakcja PRKiI S.A. and PKP Polskie Linie Kolejowe S.A. of amendment of 9 September 2015 to Agreement no. 90/132/336/00/17000031/10/I/I for the designing and completion of construction work at the railaway line Kraków – Medyka – State border, at the section Sędziszów Małopolski – Rzeszów Zachodni, km 133,600 – 154,900 as part of the Project "Modernization of the railway line E 30/C-E 30, section Kraków – Rzeszów, stage III". The annex changes the deadline for implementation of the agreement until 02.14.2016.	CR 39/2015
Signing by Trakcja PRKiI S.A. with PKP PLK S.A. agreement on Continuation of upgrade work on Railway Line E59 (track and subgrade work and track infrastructure work) as part of the Project 7.1-5.1 under Infrastructure and Environment Operational Programme, entitled "Modernization of Railway Line E59 at the section Wrocław-Poznań, Stage III, section Czempiń – Poznań". Net value of the Agreement is PLN 173,383,051.02.	CR 42/2015
Signing by Trakcja PRKiI S.A. with the General Directorate of National Roads and Motorways two material agreements : 1) the contract for "Design and construction of Expressway S-5 at the section Nowe Marzy-Bydgoszcz-border of Kujawsko-Pomorskie Province and Wielkopolskie Province. Part 4 – Design and construction of Expressway S-5 at the section from Szubin junction (junction inclusive) to Jaroszewo junction (junction inclusive) with a length of approx. 19.3 km". a Consortium composed as follows: Trakcja PRKiI S.A. (as consortium leader), Przedsiębiorstwo Usług Technicznych INTERCOR sp. z o.o. (as consortium partner). The net value of the agreement is: PLN 286,155,940. 2) the contract for "Design and construction of Expressway S-5 at the section Nowe Marzy-Bydgoszcz-border of Kujawsko-Pomorskie Province and Wielkopolskie Province. Part 1 – Design and construction of Expressway S-5 at the section from Aleksandrowo junction (junction inclusive) to Tryszczyn junction (junction inclusive) with a length of approx. 14.7 km". The Consortium composed as follows: Przedsiębiorstwo Usług Technicznych INTERCOR sp. z o.o. (as consortium leader), Trakcja PRKiI S.A. (as consortium partner). The net value of the agreement is: PLN 300,000,000.	CR 43/2015
Mutual signing, by the Consortium Leader Trakcja PRKiI S.A. with PKP Polskie Linie Kolejowe S.A. annex to the material agreement on "basic, line construction works at the section Wrocław – Grabiszyn – Skokowa and Żmigród – border of Dolnośląskie Province" as part of the Operational Programme Infrastructure and Environment's project 7.1 - 4 "Modernization of railway Line E 59 at the section Wrocław – Poznań, Stage II – section Wrocław – border of Dolnośląskie Province". Under the annex, the parties changed the date of execution of the works until 21 December 2015.	CR 44/2015
Signing by Trakcja PRKiI S.A. as a representative of the Consortium and PKP PLK S.A.of the amendment to the material agreement for designing and execution of construction work on the railway line Kraków – Medyka – national border at the section Dębica – Sędziszów Małopolski , km 111,500 – 133,600 , as part of the Project "Upgrade of the Railway Line E 30/C-E 30, section Kraków – Rzeszów, stage III". Pursuant to the amendment the Parties changed the time limit for execution of the works by 14.03.2017.	CR 47/2015
Signing by Trakcja PRKiI S.A. and PKP PLK S.A. an amendment to the material agreement for designing and execution of reconstruction of Łódź Widzew Station and part of the route Łódź Fabryczna – Łódź Widzew from 2,250 km to 7,200 km, together with railway traffic control and communication devices for the entire section Łódź Fabryczna – Łódź Widzew, and upgrade of the by-pass line Łódź Widzew – Łódź Chojny – Łódź Kaliska. Pursuant the amendment, the Parties agreed that the Contractor would complete the work within the time limit of no more than until 30.08.2016.	CR 48/2015
The Company concluded material agreements of total value of PLN 70,115,111.14 with PKP PLK S.A. within the period from 05.10.2015 to 17.11.2015. The highest value agreement of these above mentioned is the agreement mutually signed 17.11.2015, regarding "Designing and construction of communications and IT systems at the Łódź Fabryczna station and the access tunnel and station, together with third party systems integration". Net value of the agreement is PLN 34,880,000.00; gross value of the agreement is PLN 42,902,400.00.	CR 49/2015

(amounts in thousand PLN, unless stipulated otherwise)

Significant agreements - other	
In the last 12 months Issuer has concluded with Grupa mBank agreements amounting to total PLN 72,400,000.00. The highest value agreement is the Revolving Credit Agreement for up to PLN 50,000,000.00 concluded between the Company and mBank Spółka Akcyjna on April 29, 2015.	CR 15/2015
Signing by Trakcja PRKiI S.A. and Credit Agricole Bank Polska S.A. of the annexe to the agreement for guarantee facility up to PLN 60,000,000.00.	CR 23/2015
Signing by the Issuer’s subsidiary, AB Kauno tiltai an annex (“Annex”) to the material credit agreement no. KL 06/03/01 of 30 March 2006. Pursuant to the provisions of the Annex, AB Kauno tiltai shall grant an additional credit in the amount of EUR 2,000,000.00 i.e. PLN 8,234,800; an overdraft was granted in the amount of EUR 4,000,000 i.e. PLN 16,469,600; the revolving credit limit was decreased to EUR 14,000,000. In addition, pursuant to the Annex, the current loan repayment and guarantee maturity dates has been changed.	CR 34/2015
Pledge on assets of the Issuer's subsidiary AB Kauno tiltai of Kaunas (Lithuania) was registered with the Lithuanian pledge register. The pledge secures AB DNB bankas' and Nordea BANK AB's claims for the amount of EUR 78,339,250.54 EUR, that is PLN 331,351,528 resulting from the loan agreement. The pledge was established on assets with a total value of EUR 28,420,595.75 that is PLN 120 210 593,84 which constitute AB Kauno tiltai's claims under its construction contracts, and on its movable assets.	CR 37/2015
Signing by Trakcja PRKiI S.A. with HSBC Bank Poland S.A. annex to the Agreement for a guarantee to the amount of PLN 70,000,000.00. The availability period of the bank guarantee: until 4 February 2016 year.	CR 40/2015
Conclusion by Company with Zurich Insurance plc Niederlassung für Deutschland a guarantee line agreement with guarantee limit of up to PLN 70,000,000.00 . The period of availability of the guarantee limit is until 31.10.2018.	CR 46/2015

Changes in the Management Board	
On February 19, 2015 Mr Roman Przybył submitted his resignation from the position of the President of the Management Board. The reasons of the resignation are indicated as personal. In conjunction with the resignation tendered by Mr Roman Przybył the Supervisory Board today appointed Mr Jarosław Tomaszewski, Chief Financial Officer and the Vice-President of the Management Board, as the acting President of the Management Board. Moreover the Supervisory Board accepted withdrawal of Miss Marita Szustak’s statement of resignation from being member of the Management Board.	CR 8/2015
Statement by Mrs. Marita Szustak to resign from the Management Board, Vice President Trakcja PRKiI S.A.	CR 17/2015
The appointment by the Issuer's Supervisory Board Mr. Jarosław Tomaszewski as the President of the Management Board - General Director, Mr. Paweł Nogalski on the Vice-President of the Management Board - Financial Director, Mr. Marek Kacprzak on the Vice President of the Management Board – Marketing and Production Manager, Mr. Slawomir Raczynski on Vice President of the Management Board – Marketing and Production Manager.	CR 22/2015

Changes in the composition of the Supervisory Board

Adoption of resolutions by the AGM, the power of which: dismissed member of the Supervisory Board Mr. Julijus Stalmokasa, appointed Mr. Michał Hulbój a member of the Supervisory Board.	CR 28/2015
Information on resignation of the Chairman of the Supervisory Board, Maciej Radziwiłł, with effect as of as of 24 September 2015.	CR 38/2015
The company's shareholder, COMSA S.A. appointed pursuant to art. 13 paragraph. 4 Articles of Association of the Company, Mr. Dominik Radziwiłł as a Member of the Supervisory Board.	CR 41/2015

(amounts in thousand PLN, unless stipulated otherwise)

Changes in the composition of the shareholding of the Company

The notification by the shareholder ING Otwarty Fundusz Emerytalny to change of the number of votes at the General Meeting of the Company's Shareholders. Number of shares held by ING changed to 5 725 828 shares, representing 11.14% of the share capital of the Company entitling ING to 5 725 828 votes at the General Meeting of the Company, representing 11.14% of total votes.	CR 16/2015
The notification by the shareholder ING OFE with a decrease in the number of shares of the Company. Following the transaction, the sale of ING shares of the Company amount changed to 5 111 908 shares, representing 9.95% of the share capital of the Company entitling ING to 5 111 908 votes at the general meeting of the Company, representing 9.95% of the total number of votes.	CR 29/2015

Other

On January 22, 2015 the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. adopted a resolution in which it stated that in relation to the Company's redemption of 17 914 series E bonds issued by the Company, marked with code PLTRKPL00089 with the nominal value of PLN 1000.	CR 5/2015
On February 11, 2015 based on the received initial reports on valuation of assets included in the investment real estate portfolios of the Issuer and companies in the Group of Companies as at 31.12.2014, the write-down on investment real estates was made in the amount of PLN 7,264,000.00. The amount of write-down on investment real estates solely owned by the Issuer was PLN 7,608,000.00. The write-downs were recognized in the result of the year 2014.	CR 7/2015
On February 20, 2015, due to the performance of impairment test of goodwill assigned to the cash generating unit, which consists of the following subsidiaries: PEUiM Sp. z o.o., Dalba Sp. z o.o. oraz PDM Białystok S.A., has decided to write-off the value of that asset in Trakcja Group's consolidated balance sheet in the amount of PLN 37 431 thousand that was recognized in the net result of the year 2014.	CR 9/2015
On March 11, 2015 the Management Board of Trakcja PRKiI S.A. decided to recognize as at 31 December 2014 write-off of trade receivables from a non-related company in the amount of PLN 5.163 thousand. The write-down was recognized in the net result of the year 2014.	CR 11/2015
The company has published a report on the valuation of shares of Ab Kauno Tiltai prepared by the auditor in connection with the terms of issue of bearer bonds series C.	CR 13/2015
Adoption of a resolution by the Supervisory Board on the selection of Deloitte Polska spółka z ograniczoną odpowiedzialnością sp. k. as the entity authorized to audit the standalone and consolidated financial statements for the year 2015.	CR 18/2015
Convening for the day 25.06.2015 Annual General Meeting Trakcji PRKiI S.A.	CR 19/2015
Publication of draft resolutions AGM.	CR 20/2015
Notification by the shareholder of Otwarty Fundusz Emerytalny PZU "Złota Jesień", represented by Powszechne Towarzystwo Emerytalne PZU Spółka Akcyjna to include certain items in the agenda item "10 The adoption of resolutions on changes in the composition of the Supervisory Board of the Company" to General Meeting of Shareholders of the Company scheduled for 25.06.2015.	CR 21/2015
Informing the shareholder OFE PZU "Złota Jesień", represented by PTE PZU SA, that it intends to propose Mr. Michał Hulbój as a candidate for an independent member of the Supervisory Board at the AGM on 25.06.2015	CR 24/2015
Publication of draft resolutions AGM.	CR 25/2015
Giving the public the contents taken and niepodjętych resolutions at the Annual General Meeting of the Company.	CR 26/2015
Publication of the list of shareholders holding at least 5% of the total number of votes at the Annual General Meeting of Shareholders, which was held on 25.06.2015	CR 27/2015
Purchase by the Company of its own bonds Series C and Series E for their cancellation as of the date of redemption, i.e. 31 December 2015.	CR 50/2015

(amounts in thousand PLN, unless stipulated otherwise)

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

57. Financial statements under high inflation

The cumulated average annual rate of inflation for the last 3 years for each of the periods covered by this financial information did not exceed the value of 100%, therefore there was no need to convert the financial statements by the price-change index.

58. Employment

Average employment in the Company was as follows:

	31.12.2015 Audited	31.12.2014 Audited
Average employment in the Company during the period:		
Management Board of Parent entity	5	5
Administration	130	142
Sales department	5	4
Production division	827	851
Other employees	5	11
Total	**972**	**1 013**

(amounts in thousand PLN, unless stipulated otherwise)

Employment in the Company as at the balance sheet was as follows:

	31.12.2015 Audited	31.12.2014 Audited
Employment in the Company		
Management Board of Parent entity	5	5
Administration	123	139
Sales department	5	4
Production division	822	853
Other employees	2	11
Total	**957**	**1 012**

59. Assets and liabilities of the Company Social Benefits Fund

The Law of March 4, 1994 on the Company social benefits fund as amended, states that the Company Social Benefits Fund is created by the manufacturers that employ over 20 full-time employees. The Company creates such a fund and performs periodic write-offs in the amount of the basic write-off. The goal of the Fund is to subsidize the social activity of the Company, loans granted to its employees and the remaining social costs. The Company has compensated assets of the Fund with its own liabilities to the Fund, because these assets do not represent separate assets of the Company.

The table below presents the analysis of assets, liabilities, costs and net balance of the compensated assets and liabilities of the Fund:

	31.12.2015 Audited	31.12.2014 Audited
Loans granted to employees	906	1 118
Cash	781	889
Liabilities attributable to the Fund	(1 237)	(1 191)
Balance after compensation	**450**	**816**
Contributions to the fund during the financial period	**1 235**	**1 275**

60. Remuneration of the Auditor

On the basis of the resolution of the Supervisory Board of Trakcja PRKiI the entity authorized to audit the statement of the Group and the Parent company is Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with the seat in Warsaw, Al. Jana Pawła II 19 str.

On August 3, 2015 the Parent company concluded a contract with Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. to:

- review the semi-annual standalone and consolidated financial statement made as per June 30, 2015 according to the International Accounting Standards,
- audit the annual standalone and consolidated financial statement made as per December 31, 2015 according to the International Accounting Standards.

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

The amount of remuneration for the services provided to the Company is presented in the table below:

	For the period 12 months ended	
	31.12.2015	31.12.2014
	Audited	Audited
On account of agreement for financial statement audit	135	148
On account of agreement for financial statement review	68	77
Other certified services	5	-
Total	**208**	**225**

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

Warsaw, March 21, 2016

Jarosław Tomaszewski	Nerijus Eidukevičius
President of the Management Board	Vice President of the Management Board
Marek Kacprzak	Paweł Nogalski
Vice President of the Management Board	Vice President of the Management Board

Sławomir Raczyński

Vice President of the Management Board

Statement prepared by:

Elżbieta Okuła

Chief Accountant

TRAKCJA PRKII S.A.
WARSAW, ZŁOTA 59

FINANCIAL STATEMENTS
FOR THE 2015 FINANCIAL YEAR

WITH
AUDITOR'S OPINION
AND
AUDIT REPORT

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AUDITOR'S OPINION

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

We have audited the attached financial statements of Trakcja PRKiI S.A. with its registered office in Warsaw, Złota 59 (hereinafter: the "Company"), including balance sheet prepared as of 31 December 2015, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement for the financial year from 1 January 2015 to 31 December 2015 and notes comprising a summary of significant accounting policies and other explanatory information as required by the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations.

Preparation of financial statements and a report on the activities in line with the law is the responsibility of the Management Board of the Company.

The Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the financial statements with the accounting principles (policy) adopted by the Company and whether the financial statements give a true and fair view of the financial and economic position as well as the financial performance of the Company and on the correctness of the underlying accounting records.

Our audit of the financial statements has been planned and performed in accordance with:

– section 7 of the Accounting Act,

– national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) and material estimates applied by the Company, verification - largely on a test basis - of the accounting evidence and records supporting the amounts and disclosures in the financial statements, as well as overall evaluation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements in all material respects:

- give a true and fair view of the information material to evaluation of the economic and financial position of the Company as of 31 December 2015 as well as its financial performance in the financial year from 1 January 2015 to 31 December 2015,
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and in all matters not regulated in the standards - in accordance with the provisions of the Accounting Act and its executory provisions and based on properly kept accounting records,
- comply with the provisions of law and the articles of association of the Company, which affect the contents of the financial statements.

The Report on the activities of the Company for the 2015 financial year is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133) and consistent with underlying information disclosed in the audited financial statements.

Maciej Krasoń
Key certified auditor
conducting the audit
No. 10149

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Maciej Krasoń – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 21 March 2016

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF TRAKCJA PRKII S.A. FOR THE 2015 FINANCIAL YEAR

I. GENERAL INFORMATION

1. Details of the audited Company

The Company operates under the business name Trakcja PRKiI S.A. (hereinafter: the “Company”). The Company’s registered office is located in Warsaw, at Złota 59.

The Company operates as a joint stock company. The Company is recorded in the Register of Entrepreneurs kept by the District Court in XII, Commercial Division of National Court Register under KRS number 0000084266.

The Company operates based on the provisions of the Code of Commercial Companies.

As of 31 December 2015, the Company’s share capital equaled PLN 41,120 thousand and was divided into 51,399,548 ordinary shares with a face value of PLN 0.80 each. In the audited period, the Company conducted activities mainly in the area of construction of civil engineering structures and specialized construction.

Composition of the Management Board as of the date of the opinion:
- Jarosław Tomaszewski – Chairman of the Management Board;
- Paweł Nogalski – Vice-Chairman of the Management Board;
- Marek Kacprzak – Vice-Chairman of the Management Board;
- Sławomir Raczyński – Vice-Chairman of the Management Board;
- Nerijus Eidukevičius – Vice-Chairman of the Management Board

Changes in the composition of the Management Board during the audited period and until the date of the opinion:
- on 31 December 2014 Stefan Dziedziul and Marita Szustak resigned the office of Member of the Management Board – their mandates were revoked on 31 March 2015;
- on 19 February 2015 Roman Przybył resigned the office of Member of the Management Board and his mandate was revoked the very same day;
- on 19 February 2015 the Supervisory Board accepted Marita Szustak withdrawal of resignation from being a Management Board Member; on 28 May 2015 Marita Szustak resigned again the office of Member of the Management Board;
- on 9 June 2015 the Supervisory Board appointed Mr Jarosław Tomaszewski to hold the position of the Chairman of the Management Board and Mr Paweł Nogalski, Marek Kacprzak and Sławomir Raczyński to hold the position of the Member of the Management Board as Vice-Chairmen.

2. Information on the financial statements for the previous financial year

The activities of the Company in 2014 resulted in a net profit of PLN 49,797 thousand. The financial statements of the Company for the 2014 financial year were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. The certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2014 financial year was held on 25 June 2015. The General Shareholders' Meeting decided to distribute the net profit for 2014 in the following manner:

- coverage of loss incurred in the period 1.01.2012-31.12.2014 – PLN 6,632 thousand;
- allocated to supplementary capital – PLN 41,166 thousand.

The financial statements for the 2014 financial year were submitted to the National Court Register (KRS) on 21 July 2015.

The consolidated financial statements for the 2015 financial year were submitted to the National Court Register (KRS) on 21 July 2015

3. Details of the authorized entity and the key certified auditor acting on its behalf

The entity authorized to audit the financial statements was appointed by the Supervisory Board. The audit of the financial statements was performed based on the agreement of 3 August 2015 concluded between the Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Maciej Krasoń, key certified auditor (No.10149), in the registered office of the Company from 16 November to 27 November 2015, 8 February to 11 March 2016 and outside the Company's premises until the opinion date.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting the audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Journal of Laws of 2009 No. 77, item 649 as amended) to express an unbiased and independent opinion on the financial statements of the Company.

4. Availability of data and management's representations

The scope of our audit was not limited.

During the audit, necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 21 March 2016.

II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY

Presented below are the main items from the income statement and as well as financial ratios describing the financial performance of the Company and its economic and financial position compared to the prior year.

Main items from the income statement (PLN '000)	2015	2014
Sales revenue	763,399	966,084
Operating expenses	735,258	899,824
Operating profit (loss)	30,094	57,000
Net profit (loss)	35,161	49,797
Other comprehensive Income	35,000	48,356
Main items from the balance sheet (PLN '000)		
Inventory	31,283	19,719
Trade receivables	93,573	370,158
Assets held for sale	3,062	0
Current assets	299,500	468,928
Total assets	932,289	1,072,553
Equity	613,327	581,244
Short-term liabilities (including short-term provisions and accruals)	258,286	431,318
Trade liabilities	163,296	265,691
Total liabilities and provisions	318,962	491,309

Profitability and efficiency ratios	2015	2014
– return on sales	4%	6%
– net return on equity	6%	9%
– assets turnover ratio	0.82	0.90
– receivables turnover in days	109	135
– liabilities turnover in days	105	97
– inventory turnover in days	12	12
Liquidity/Net working capital		
– debt ratio	34%	46%
– equity to fixed assets ratio	66%	54%
– net working capital (PLN '000)	41,214	37,610
– current ratio	1.16	1.09
– quick ratio	1.03	1.04

An analysis of the above figures and ratios indicated the following trends in 2015:

- decrease of return on sales and net return on equity;
- decrease of assets turnover ratio;
- shortening of receivables turnover and lengthening of liabilities turnover ratios;
- decrease of debt ratio;
- increase of net working capital.

III. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation describing the adopted accounting principles, complying in all material respects with Article 10 of the Accounting Act. The principles have been applied consistently and did not change compared to the principles applied in the prior year. The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

Based on tests performed during the audit procedures, we have verified the adopted accounting system and found no misstatements that would affect the financial statements. Our audit did not include, though, the entire accounting system used by the Company.

The Company performed a physical count of assets, equity and liabilities within the scope necessary to confirm the existence of the presented assets, equity and liabilities.

2. Information identifying the audited financial statements

The audited financial statements were prepared as of 31 December 2015 and include:

- balance sheet prepared as of 31 December 2015, with total assets and liabilities plus equity of PLN 932,289 thousand;
- income statement for the period from 1 January 2015 to 31 December 2015, with a net profit of PLN 35,161 thousand;
- statement of comprehensive income for the period from 1 January 2015 to 31 December 2015, with a net profit of PLN 35,000, thousand;
- statement of changes in equity for the period from 1 January 2015 to 31 December 2015, disclosing an increase in equity of PLN 32,083 thousand;
- cash flow statement for the period from 1 January 2015 to 31 December 2015, showing a cash inflow of PLN 121,912 thousand;
- notes, comprising a summary of significant accounting policies and other explanatory information.

3. Information about selected material items of the financial statements

The structure of assets, equity and liabilities as well as items affecting the financial result have been presented in the financial statements.

<u>Property, plant and equipment</u>

The item of property, plant and equipment of the Company includes:
- fixed assets in the amount of PLN 107,670 thousand;
- fixed assets under construction in the amount of PLN 9,738 thousand.

The structure of property, plant and equipment has been correctly presented in the relevant explanatory note to the balance sheet.

<u>Long-term investments</u>

The Company prepares tests for impairment of investments on the balance sheet date. Tests carried out as at 31 December 2015 showed no impairment of investments.

Inventory

The structure of inventory and related impairment losses has been correctly presented in the relevant explanatory note to the balance sheet.

Below the ageing structure of inventory subject to ageing has been disclosed:

Overdue	Value of inventory (gross) in ths. PLN
below 30 days	12,858
30-89	7,943
90-179	2,753
180-269	304
270-364	1,201
above 365 days	2,885
SUM:	**27,944**

Receivables

Ageing of trade receivables has been correctly presented in the respective explanatory note to the balance sheet, together with related impairment losses.

Liabilities

The nature of contracted loans, security and maturity has been presented in the notes to the financial statements.

Prepayments, accruals and provisions for liabilities

The structure of prepayments, accruals and provisions for liabilities is presented in notes.

4. Completeness and correctness of notes and explanations and the report on the activities of the Company

The Company confirmed the validity of the going concern principle in the preparation of the financial statements. The notes and explanations give a correct and complete description of measurement principles regarding assets, equity, liabilities, financial result and principles of preparation of the financial statements.

The notes to the financial statements give a correct and complete description of the reporting items and clearly present other information required under IFRS.

The financial statements have been supplemented with the Management Board’s report on the activities of the Company in the 2015 financial year. The report contains information required under Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133). We have audited the report with respect to the disclosed information derived directly from the audited financial statements.

IV. FINAL NOTES

Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Company's Management Board, in which the Board stated that the Company complied with the laws in force.

Maciej Krasoń
Key certified auditor
conducting the audit
No. 10149

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Maciej Krasoń – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 21 March 2016