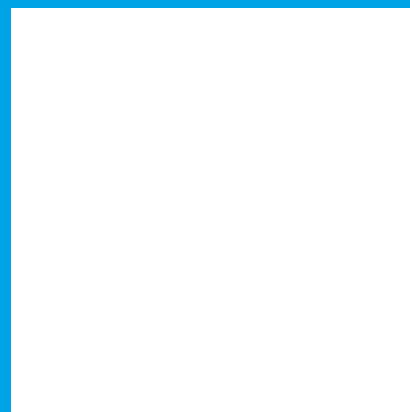
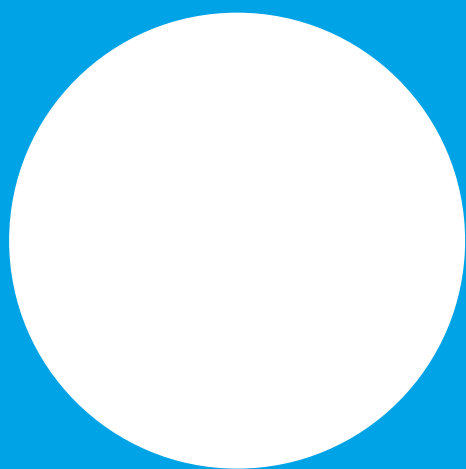




TRAKCJA  
PRKiI



ANNUAL REPORT

2016



From vision to reality

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Ladies and Gentlemen,

The previous year was a period of a serious test for the construction market in Poland. Lack of large tenders, fall in orders and delays in launching new investment programs have translated into the condition of the whole industry. Trakcja PRKiL S.A. has successfully passed this difficult exam, once again proving high operational efficiency and the ability to quickly implement important decisions.

Trakcja PRKiL S.A. is comprehensively prepared to perform the tasks specified in the National Rail Program. The quickly and smoothly performed restructuring of employment in the past year has brought about a full consolidation of resources and the construction of a modern, contractually oriented organization. In addition, in 2016 we significantly increased our current performance potential, taking full control over of the company Bahn Technik Wrocław, which has a park of specialized track machines.

Thanks to effective coordination, the Trakcja Group systematically increases its scope of activity and opens new markets while taking special care to sustain sustainable growth and mitigate potential risks.

We are constantly enjoying a high level of public confidence from our clients and contractors, as well as in the capital market. Last year, we successfully implemented the procedures stemming from the EU Market Abuse Regulation (MAR) and the Market Abuse Directive (MAD), setting new standards for company transparency. We end year 2016 by entering the group of responsible companies listed in the Respect Index at the Warsaw Stock Exchange.

We are fully aware that the past difficult year has been used well by the Trakcja Group and that the direction and strategy determined by the company will be the foundation of the continued trust of our customers and shareholders. We invite you to get to know the Trakcja Group annual report for 2016.

On behalf of the Management Board

**Jarosław Tomaszewski**

President of the Board

Trakcja PRKiL S.A.





# THE COMPANY'S

## GOVERNING BODIES

dated 31.12.2016

### MANAGEMENT BOARD



**MAREK KACPRZAK**  
Vice President of the Board  
Marketing and Production Preparation Director



**JAROSŁAW TOMASZEWSKI**  
President of the Board  
Chief Executive Officer



**PAWEŁ NOGALSKI**  
Vice President of the Board  
Chief Financial Officer

### SUPERVISORY BOARD

- DOMINIK RADZIWIŁŁ** - Chairman of the Supervisory Board
- JORGE MIARNAU MONTSERRAT** - Deputy Chairman of the Supervisory Board
- MIQUEL LLEVAT VALLESPINOSA** - Member of the Supervisory Board
- WOJCIECH NAPIÓRKOWSKI** - Member of the Supervisory Board
- FERNANDO PEREA SAMARRA** - Member of the Supervisory Board
- MICHAŁ HULBÓJ** - Member of the Supervisory Board
- ŁUKASZ ROZDEICZER-KRYSZKOWSKI** - Member of the Supervisory Board

### AUDIT COMMITTEE

- WOJCIECH NAPIÓRKOWSKI** - Chairman of the Audit Committee
- FERNANDO PEREA SAMARRA** - Member of the Audit Committee
- DOMINIK RADZIWIŁŁ** - Member of the Audit Committee





# MISSION AND VISION

## The Trakcja Group

aims to achieve a leading position among construction companies in Baltic Sea region.

## Developing the economic potential

of countries and regions and supporting mobility of population by building modern infrastructure.

## VALUES

### RESPONSIBILITY

We honestly fulfill our commitments to our clients and associates.

### SAFETY

Surveillance of safety and its constant increase is a key part of our operations.

### RELATIONS

We create positive and lasting relationships with investors, contractors, subcontractors, suppliers and employees, gaining their long-term trust.

### PEOPLE

We invest in the knowledge and skills of our employees by building their enthusiasm and commitment.

### COMPETENCES

We systematically develop our services, offer our customers comprehensive solutions and at the same time strengthen our potential.

### NATURAL ENVIRONMENT

We only perform environmentally friendly tasks, using environmental technologies for this purpose.

### QUALITY

We perform tasks according to the expectations of our customers, with an open attitude towards introducing new innovations.



# STRUCTURE

OF THE TRAKCJA GROUP

# COMPETENCES

OF THE TRAKCJA GROUP

**TRAKCJA  
PRKiI**

Railway, road, bridge, energy  
and cubature construction,  
design

98,1%

**AB Kauno Tiltai**

Construction of  
roads, bridges and  
energetic hardware

100%

**Bahn Technik  
Wrocław Sp. z o.o.**

Track works, welding  
constructions,  
hardware services

99,7%

**P.E.U.I.M.  
Sp. z o.o.**

Building roads  
and bridges

82,3%

**TORPROJEKT  
Sp. z o.o.**

Design activity

100%

**PRK 7 Nieruchomości  
Sp. z o.o.**

Development activity

100%

**Dalba  
Sp. z o.o.**

Environmental  
engineering

94,6%

**PDM  
Białystok S.A.**

Road construction

%

Share of Trakcja PRKiI in the company's share capital.



Trakcja Group companies specialize in various areas of infrastructure construction, such as:

Construction and comprehensive modernization of railway infrastructure, including tracks and a traction network, engineering facilities, platforms and railway stations, together with elements of small architecture.



Construction and modernization of streets, roads, highways and surrounding infrastructure: walkways, cycle paths or lighting. Production of bituminous mass and concrete.



Construction of low and medium voltage switchgear for power supply of railroads, trams and trolleybuses. Manufacturing of support structures for traction networks.



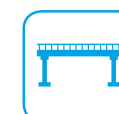
Construction and modernization of traction substations for railways and public transport such as trams or trolley buses. Construction of cable and overhead power lines of medium and low voltage.



Construction of housing estates and cubature buildings of various uses.



Comprehensive design for the construction industry: rail, road, power and engineering.



Construction and modernization of bridges and viaducts.



Construction of water supply networks and collectors, sanitary sewage systems, sewage treatment plants and pumping stations and reinforced concrete tanks, waste management and environmental protection facilities.












# RANGE

OF THE GROUP'S OPERATION

In the year 2016, the Trakcja Group strengthened its position on the home markets: Polish and Lithuanian, and continued expansion into the Swedish and Latvian markets. In addition, Trakcja PRKiI has opened a unit in Bulgaria that monitors the local market and the markets of other Balkan countries.

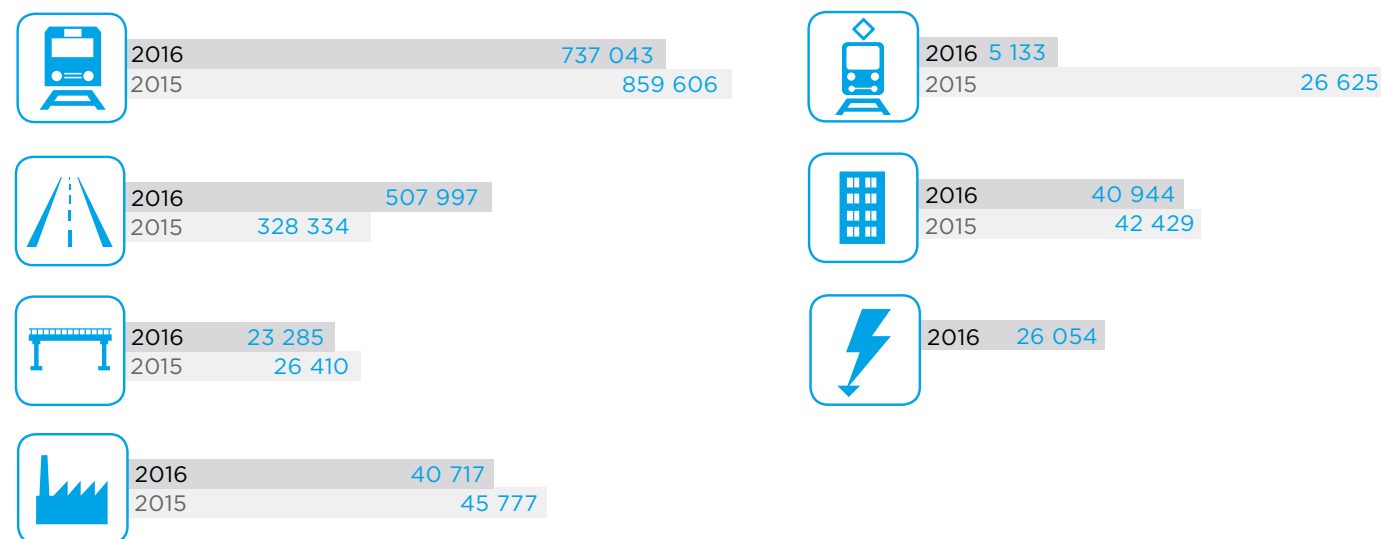
Type of activities in the state:

-  Railway
-  Road
-  Energy
-  Cubature
-  Bridge
-  Production
-  Designing
-  Environmental engineering
-  Organizational units of the Trakcja Group



# SALES STRUCTURE

## OF THE TRAKCJA GROUP



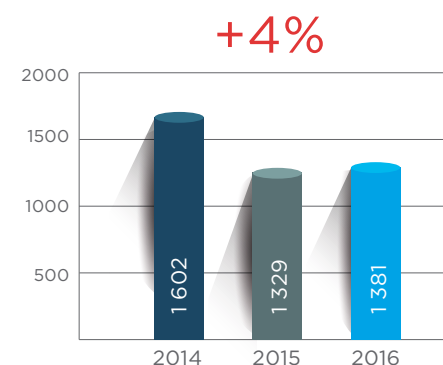
	2016		2015	
	Share	Value	Share	Value
Railway construction	737 043	53,4%	859 606	64,7%
Road construction	507 997	36,8%	328 334	24,7%
Bridge construction	23 285	1,7%	26 410	2,0%
Tram construction	5 133	0,4%	26 625	2,0%
Energy construction	26 054	1,9%	-	-
Production of equipment	40 717	2,9%	45 777	3,4%
Other activities	40 944	3,0%	42 429	3,1%
<b>Total sales revenue</b>	<b>1 381 173</b>	<b>100%</b>	<b>1 329 180</b>	<b>100%</b>
Domestic	869 800	63,0%	842 202	63,4%
Abroad	511 373	37,0%	486 978	36,6%

\*(in thousand PLN)

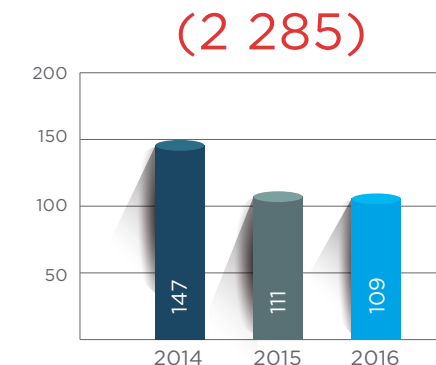
# CONSOLIDATED

## REVENUE AND KEY ECONOMIC INDICATORS

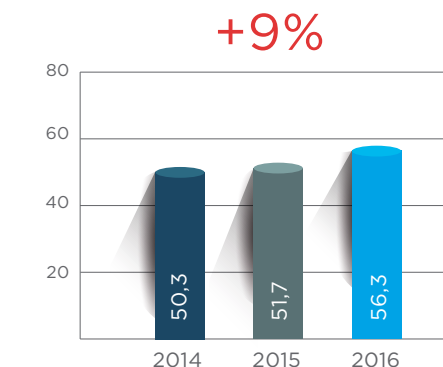
Consolidated sales revenue (in million PLN)



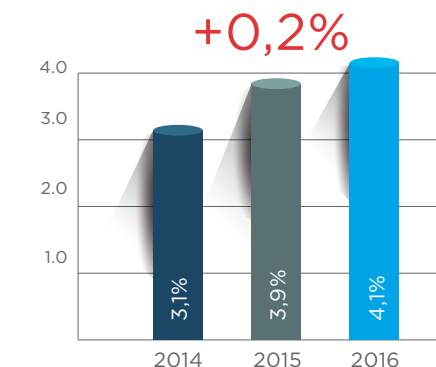
EBITDA (in million PLN)



Net profit (in million PLN)



Net profit margin



In 2016, the Trakcja Group recorded a 4% increase in revenue despite a decline in market value. In 2016, the delay in announcing tenders for rail works within the 2014-2020 EU Perspective has led the Group to pursue an active offer policy for smaller jobs, previously remaining outside the core business area. Continuing diversification of the business by opening new operating units resulted in an increase in traffic revenue and an effective expansion in the energy segment. The Trakcja Group achieved a net profit of PLN 56 332 thousand PLN for year 2016 which in comparison to 2015 constituted a 9% increase.





# CONSOLIDATED

PROFIT AND LOSS ACCOUNT



# STAND - ALONE

PROFIT AND LOSS ACCOUNT

	FROM 1.01.2016 TO 31.12.2016	FROM 1.01.2015 TO 31.12.2015
	audited	audited
Continued activity		
Sales revenue	1 381 173	1 329 180
Cost of sales	(1 233 007)	(1 163 047)
<b>Gross profit (loss) on sales</b>	<b>148 166</b>	<b>166 133</b>
Cost of sales, marketing and distribution	(6 261)	(6 156)
General management costs	(61 170)	(71 106)
Other operational income	14 922	5 091
Other operational cost	(10 314)	(7 715)
Participation in a jointly controlled entity	248	2 781
Goodwill impairment	(11 799)	(12 302)
<b>Operating profit or loss</b>	<b>73 792</b>	<b>76 726</b>
Financial income	4 525	7 461
Financial costs	(10 986)	(11 503)
<b>Profit (loss) gross</b>	<b>67 331</b>	<b>72 684</b>
Income tax	(10 999)	(20 926)
<b>Net profit (loss) from continued operation</b>	<b>56 332</b>	<b>51 758</b>
Discontinued operations		
Net profit (loss) for the period from discontinued operations	-	-
<b>Net profit (loss) for the period</b>	<b>56 332</b>	<b>51 758</b>

\*(in thousand PLN)

	FROM 1.01.2016 TO 31.12.2016	FROM 1.01.2015 TO 31.12.2015
	audited	audited
Continued activity		
Sales revenue	826 198	763 399
Cost of sales	(787 275)	(700 208)
<b>Gross profit (loss) on sales</b>	<b>38 923</b>	<b>63 191</b>
Cost of sales, marketing and distribution	(2 132)	(1 718)
General management costs	(25 275)	(33 332)
Other operational income	3 548	3 622
Other operational cost	(5 350)	(1 669)
<b>Operating profit or loss</b>	<b>9 714</b>	<b>30 094</b>
Financial income	25 945	18 650
Financial costs	(5 929)	(7 106)
<b>Profit (loss) gross</b>	<b>29 729</b>	<b>41 638</b>
Income tax	(1 031)	(6 477)
<b>Net profit (loss) from continued operation</b>	<b>28 699</b>	<b>35 161</b>
Discontinued operations		
Net profit (loss) for the period from discontinued operations	-	-
<b>Net profit (loss) for the period</b>	<b>28 699</b>	<b>35 161</b>

\*(in thousand PLN)

# BALANCE SHEET OF THE TRAKCJA GROUP

## ASSETS

	31.12.2016	31.12.2015
	audited	transformed
<b>Fixed assets</b>	<b>721 725</b>	<b>683 214</b>
Fixed assets	247 489	194 232
Intangible assets	55 291	56 603
Goodwill from consolidation	337 855	334 718
Investment estates	21 226	21 976
Investments in a jointly controlled entity	-	14 140
Investments in other entities	25	25
Other financial assets	46 502	45 564
Deferred tax assets	10 707	9 715
Construction contracts	-	2 527
Accruals	2 630	3 714
<b>Current assets</b>	<b>675 008</b>	<b>623 143</b>
Inventories	75 861	84 828
Trade and other receivables	399 586	246 864
Other financial assets	8 660	14 830
Cash and cash equivalents	148 799	251 435
Accruals	6 019	8 961
Construction contracts	36 083	16 225
<b>Total assets</b>	<b>1 396 733</b>	<b>1 306 357</b>

\*(in thousand PLN)

# BALANCE SHEET

# OF THE TRAKCJA GROUP

## LIABILITIES

	31.12.2016	31.12.2015
	audited	transformed
<b>Equity (attributable to equity holders of the Parent)</b>	<b>771 137</b>	<b>722 341</b>
Basic capital	41 120	41 120
Surplus from the sale of shares above their face value	309 984	309 984
Revaluation reserve resulting from valuation	5 765	6 178
Other reserves	332 659	299 785
Undistributed financial result	54 685	50 203
Foreign exchange differences on foreign units' translation	26 924	15 071
<b>Non-controlling shares</b>	<b>4 830</b>	<b>3 950</b>
<b>Total equity</b>	<b>775 967</b>	<b>726 291</b>
<b>Long-term liabilities</b>	<b>153 550</b>	<b>120 910</b>
Interest-bearing loans and debt securities	100 666	89 494
Inventories	27 650	9 202
Employee benefit liabilities	11 134	11 737
Deferred income tax	8 068	5 549
Derivative financial instruments	5 957	4 862
Other liabilities	75	66
<b>Short-term liabilities</b>	<b>467 216</b>	<b>459 156</b>
Interest-bearing loans and debt securities	22 003	21 625
Trade and other liabilities	309 988	288 100
Inventories	35 353	23 690
Employee benefits obligations	11 424	10 894
Income tax liabilities	4 922	5 167
Derivative financial instruments	1 018	981
Other financial liabilities	-	148
Accruals	361	219
Construction contracts	80 432	108 223
Advances received for housing	1 715	109
<b>Total liabilities</b>	<b>1 396 733</b>	<b>1 306 357</b>

\*(in thousand PLN)





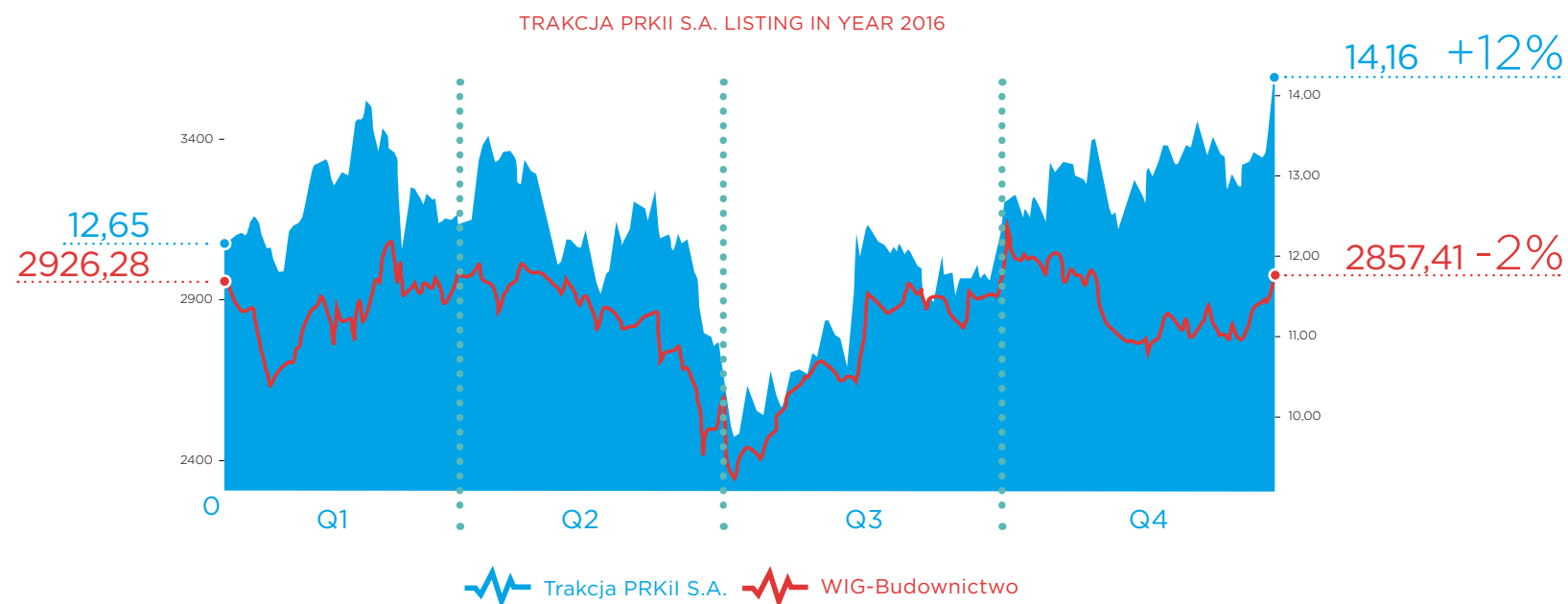
# CORPORATE

## GOVERNANCE AND INFORMATION POLICY

Trakcja PRKiI applies to the recommendations of the Good Practices adopted by the Resolution of the Exchange Supervisory Board dated July 4, 2007, as amended.

As part of its information policy, the company has developed a map of stakeholders located in its nearer and further environment, with which it maintains clear and consistent relationships and ensures continuous communication.

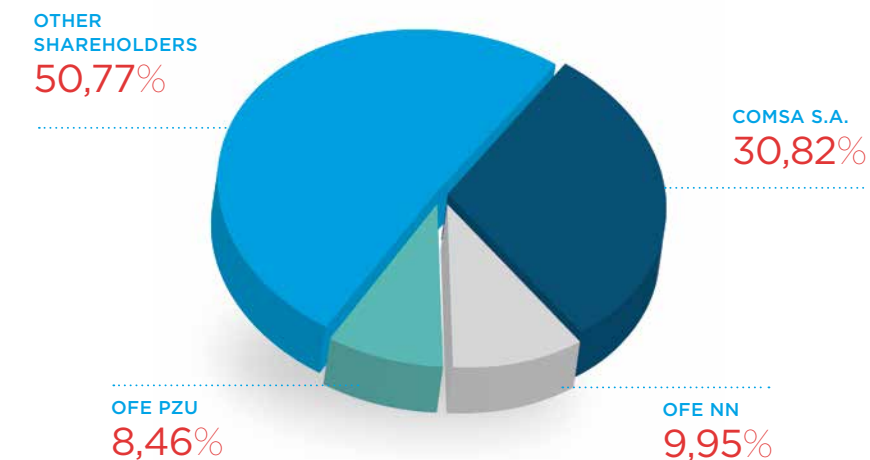
Trakcja PRKiI provides all market participants with access to objective and reliable information on its financial performance, portfolio of orders, execution potential or other events related to the company's operations. For this purpose, it uses various communication channels: a website that keeps up with stock market reports and press releases, Trakcja Group's YouTube channel, mass media, or direct meetings with analysts, investors, and shareholders – both individual and group.



# INVESTOR

## RELATIONS

dated 31.12.2016



The company is listed on the stock exchange since **04.2008**

Number of listed shares:  
**51 399 548**

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

## WE PAY DIVIDEND

In 2016, the General Shareholders Meeting of Trakcja PRKiI, based on the recommendation of the Management Board and the Supervisory Board, decided to distribute the profit for the year 2015 in the amount of 35 161 377,61 PLN as follows:

- the amount of **17 475 846,32** PLN (i.e. 0,34 PLN for one share) for pay out of dividend,
- the amount of **17 685 531,29** PLN for reserve capital.



# STRATEGY

## OF THE TRAKCJA GROUP

In the next few years, the Trakcja Group intends to continue its industry and geography diversification through:

- organic growth in the railway construction sector, strengthening of the role of road construction and construction of electricity transmission lines in revenue generated on the Polish market (Trakcja PRKiI S.A.),
- strengthening the market position in home countries and markets in the Baltic and Scandinavian countries (subsidiaries),
- acquiring new contracts on Eastern European and Central European markets (Trakcja Group).







## SOCIAL RESPONSIBILITY

Trakcja PRKiI belonging to the leaders of railway construction in Poland, undertakes a number of actions in the field of broadly understood social responsibility.

In its nearly 70-year history, pursuing its business objectives, Trakcja PRKiI has also emphasized the respect of universal values and principles of sustainable development, which included among others:

- creating a friendly and secure working environment for its employees,
- implementation of investments with utmost care, according to the requirements of the clients,
- building and sustaining positive relationships with the outside world, especially with local communities during the investment,
- carrying out construction works with respect of the environment and with the use of ecological technologies,
- organic building of new competencies and business development, which translates into a broader and complex offer, increased customer satisfaction, job stability, as well as shareholder and financial confidence, and public credibility in the economic system.

A reflection of these efforts was the classification of Trakcja PRKiI in 2016 to the index of socially responsible companies – RESPECT INDEX conducted by the Warsaw Stock Exchange. Also in 2016, Trakcja PRKiI has adopted a CSR strategy, which assumes further development of the company's activities in areas related to employee affairs, fair market practices, social involvement and environmental protection.







