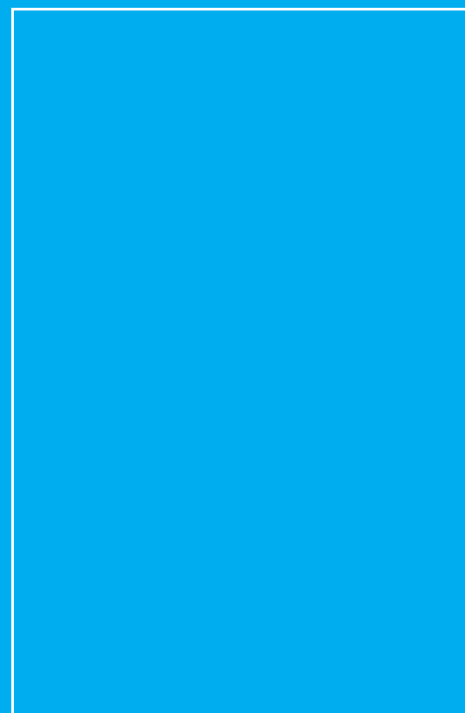
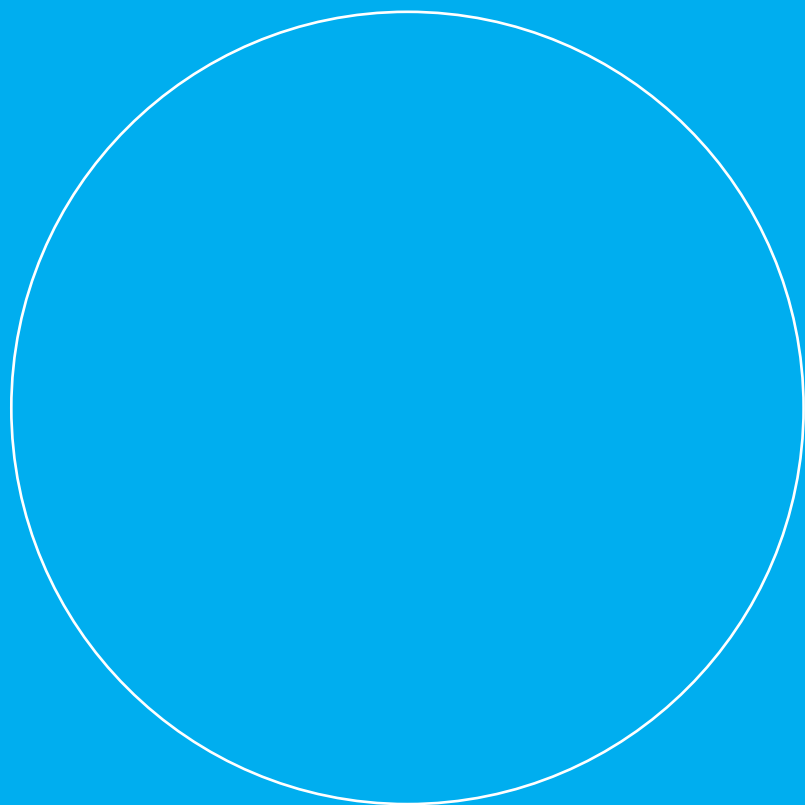




TRAKCJA
PRKiI



ANNUAL REPORT
2017



From vision
to reality

TABLE OF CONTENTS

Letter from the President of the Board	03
Strategy of the Trakcja Group	04
The company's governing bodies	07
Competences of the Trakcja Group	08
About the Group – Structure of the Group	09
Mission and Vision, Values	11
Activities of the Group	12
Sales structure of the Group	14
Financial results of the Group – Analysis of the chosen Elements	15
Consolidated profit and loss account	16
Stand-alone profit and loss account	17
Balance sheet of the Trakcja Group / Assets	18
Balance sheet of the Trakcja Group / Liabilities	19
Corporate order and investor relations	21
Corporate Social Responsibility	23
Prizes and Distinctions	24



Dear Ladies and Gentlemen,

The previous year has brought the long expected opening of a number of tender procedures upon the market of infrastructural investments. Nevertheless, the period of extended investment gap has been well taken advantage of by the Trakcja Group. We have successfully completed all restructuring processes, introduced new, contract-type of organisational structure, the company has employed over 300 new employees: engineers, managers, specialist equipment operators and qualified specialists, to a significant extent to meet the demands of the dynamically developing road branch of the Trakcja PRKiL S.A.

Moreover, we have succeeded in strengthening our executive potential through the purchase of a number of machinery units and devices which has also been possible through the complete taking over control over our subsidiary Bahn Technik Wrocław. Additionally we have incorporated a large scale programme devoted to the diversification of executed activities: we continue to strengthen our position within the power supply industry which we entered a few years ago and have succeeded in expanding our activities onto municipal markets thus winning the largest contract marketed last year for the construction of a tram line.

Our international activity is mainly based upon our position in Lithuania as well as entering new markets. In 2017 we initiated activity within the road sector in Ukraine, we became certified upon the German market and thanks to our branch in Sofia we are able to successfully penetrate the Balkan region. The previous year has also resulted in several achievements within the field of innovations. Devices and technical solutions presented during the Trako international trade fairs were recognised by industry experts and won several distinctions within the railroad and power supply sectors.

We make sure to observe the principles of sustained development and respect the goals of all stakeholders in the process of management of the equity group which employs more than 2100 employees and which operates in various regions of Europe. The confirmation of the above has been constituted by re-entering of the narrow group of companies renowned for their corporate social responsibility and obtaining of the Respect Index certificate. Our efforts towards ensuring the best possible conditions of safe working environment have been recognised by the Central Institute for Labour Protection of the National Research Institute thus offering the classification to the Trakcja Group PRKiL as the Leaders of Safe Labour. Undertaking of the aforementioned activities has allowed us to strengthen all indispensable pillars of stability and safety of the Trakcja Group.

All of the previous year's successes and attained results prove our broad competences, reliability as well as effectiveness in the process of seeking and undertaking new challenges.

Thus thanking all stakeholders for the trust I kindly invite You to get acquainted to the Annual Report which presents the last year's results.

On behalf of the Management Board
Jarosław Tomaszewski
the President of the Board of Trakcja PRKiL.



STRATEGY

OF THE TRAKCJA GROUP

The Strategy of the Trakcja Group for the upcoming years foresees the continuation of the industry and geographical diversification of activity based upon the following listed three pillars:

- Organic development within the railroad sector, strengthening of the role of road building sector and power supply line construction sector in the total of income generated from the Polish market paralleled by active research and seeking out of new segments (Trakcja PRKiI S.A.),
- Strengthening of the market position upon domestic markets as well as upon markets of Baltic states (subsidiaries),
- Winning new contracts upon Eastern and Central European markets (the Trakcja Group).





THE COMPANY'S

GOVERNING BODIES

DATED 31.12.2017

MANAGEMENT BOARD



JAROSŁAW TOMASZEWSKI

President
of the Board
Chief Executive Officer



MAREK KACPRZAK

Vice President
of the Board
Marketing and Business
Development Director



PAWEŁ NOGALSKI

Vice President
of the Board
Chief Financial Officer



ALDAS RUSEVIČIUS

Vice President
of the Board
Baltic Markets Director



MACIEJ SOBCZYK

Vice President
of the Board
Production Director

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

ŁUKASZ ROZDEICZER-KRYSZKOWSKI - Member of the Audit Committee

COMPETENCES

OF THE TRAKCJA GROUP

Companies from the Trakcja Group specialise in a number of civil engineering areas, such as:



Construction and comprehensive modernisation of railroad infrastructure which encompasses railroad tracks as well as catenary network, civil engineering objects, station platforms as well as railroad stations including elements of small architecture.



Construction and modernisation of roadways, roads, highways along with all auxiliary infrastructure: pavements, bicycle paths and lightening systems. Manufacturing of concrete and bitumen mass.



Construction and assembly of low and medium voltage distribution switchboards which constitute the elements of railroad, tram as well as trolley bus catenary power supply networks. Manufacturing of the elements of catenary system supporting structures.



Construction and modernisation of catenary sub-stations which provide power supply for railroad systems as well as means of public transport such as for instance trams and trolley buses. Construction of low and average voltage cable and overhead power supply lines.



Construction and modernisations of bridges and overpasses.



Comprehensive project design for railroad, road, power supply and civil engineering industries.



Construction and modernisation of tram infrastructure.



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.



Construction of housing estates and cubature buildings of various uses.

ABOUT THE GROUP

STRUCTURE OF THE GROUP

**TRAKCJA
PRKiI**

Railroad, road, bridge,
power supply, project design
and building construction
sectors

98,1%

AB Kauno Tiltai

Construction of
roads, bridges,
railroad, power
supply construction
industry

100%

**Bahn Technik
Wrocław Sp. z o.o.**

Railroad works,
welding works,
services rendered
with the application
of various equipment

99,7%

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

Construction
of roads
and bridges

82,3%

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

Project design
type of activity

100%

**PRK 7 Nieruchomości
Sp. z o.o.**

Activity within
the building
development sector

100%

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

Environmental
engineering

94,6%

**PDM
Białystok S.A.**

Construction
of roads

%

Ownership share of Trakcja PRKiI within company equity.



MISSION AND VISION

DEVELOPMENT OF THE POTENTIAL

of the states and regions as well as supporting the mobility of the society through the construction of modern infrastructure.

TRAKCJA GROUP

strives towards the attainment of the position of the leader amongst the companies of the civil engineering sector within the area of the Baltic Sea basin.

VALUES

RESPONSIBILITY

We make sure to fulfil all obligations undertaken with regards to our clients and partners in a reliable manner.

SAFETY

Supervision over the level of safety paralleled by the constant strive towards the increase of its level constitutes the key part of our activities.

RELATIONS

We create positive and permanent relations with our subcontractors, suppliers as well as employees thus gaining their multi-year trust.

PEOPLE

We invest in knowledge and skills of our employees, thus building their enthusiasm and engagement.

THE NATURAL ENVIRONMENT

We only undertake to execute tasks which are natural environment friendly, thus taking advantage of ecological technologies of the execution of works.

COMPETENCES

We systematically and gradually develop the scope of our services, we offer our clients comprehensive solutions in parallel strengthening our potential.

QUALITY

We execute tasks in accordance to the expectations of our customers, thus being open to the introduction and implementation of further innovations.

ACTIVITIES OF THE GROUP

Apart from activity performed upon the basic markets of Poland and Lithuania, the Trakcja Group gradually conveys expansion activities upon new geographical markets. In the year 2017 the Group sustained it's so far presence in Sweden, Latvia and Bulgaria, with the latter state constituting the headquarters from which the markets of all Balkan Peninsula states are being monitored. Company branch and a subsidiary were also established upon the territory of Ukraine, moreover VOB construction certification has been obtained which enables participation in public tender procedures upon the territory of Germany.

Type of activity upon the territory of each state

-  Railroad
-  Road
-  Power supply
-  Cubature object
-  Bridge
-  Manufacturing
-  Project design
-  Natural environment engineering
-  Tram
-  Organisational units of the Trakcja Group



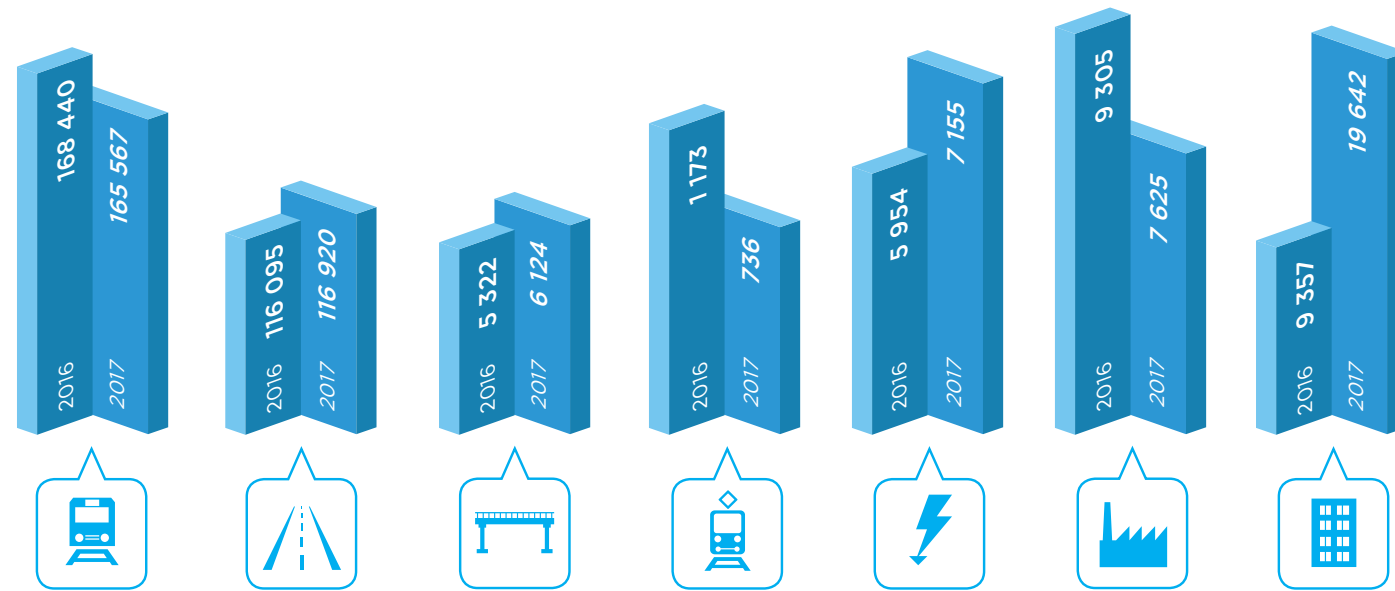


SALES

STRUCTURE OF THE GROUP

FINANCIAL RESULTS

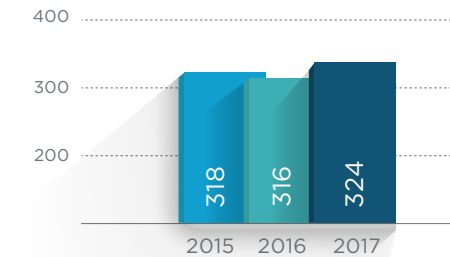
OF THE GROUP - ANALYSIS OF THE CHOSEN ELEMENTS



	2017		2016	
	Value	Share	Value	Share
Railroad construction sector	165 567	51,1%	168 440	53,4%
Road construction sector	116 920	36,1%	116 095	36,8%
Bridge construction sector	6 124	1,9%	5 322	1,7%
Tram construction sector	736	0,2%	1 173	0,4%
Energy construction sector	7 155	2,2%	5 954	1,9%
Manufacturing of devices	7 625	2,4%	9 305	2,9%
Other type of activity	19 642	6,1 %	9 357	3,0%
Total revenues from sales	323 769	100,0%	315 646	100,0%
Home	223 403	69,0%	198 780	63,0%
Abroad	100 366	31,0%	116 866	37,0%

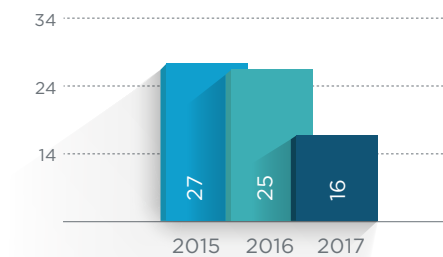
Consolidated sales revenue (in millions of EUR)

324



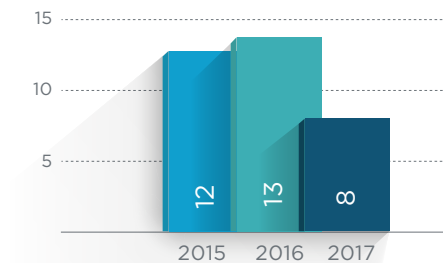
EBITDA (in millions of EUR)

16



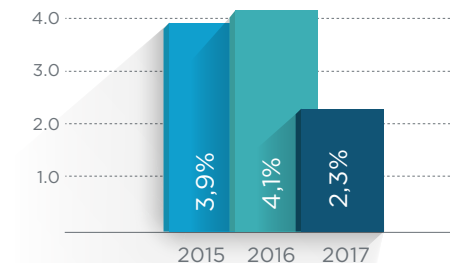
Net profit (in millions of EUR)

8



Net profit margin

2,3%



In 2017 the Trakcja Group attained results at the level of 323 769 thousands of EUR the level of which was close to the previous year. Gross profit margin generated subject to sales within the aforementioned period amounted to 2,4% and attained the lowest level comparing to the analogical period the previous year i.e. to the value of 4,9%. The projects that are currently being executed upon the railroad sector in Poland have been attained within the period of significant competition already following the launching of the new European Union financial perspective, the fact that translates to lower profit margins. Moreover, the result of decreasing of the gross profit margin generated as the result of sales is constituted by the change of the structure of the order portfolio of Lithuanian companies incorporated as part of the Group. The change of the portfolio of orders is to be treated as a temporary situation. The Trakcja Group attained net profit in the amount of 7 549 thousand EUR.

*(Numbers provided in thousands of EUR)



CONSOLIDATED

PROFIT AND LOSS ACCOUNT



STAND-ALONE

PROFIT AND LOSS ACCOUNT

	FROM 1.01.2017 TO 31.12.2017	FROM 1.01.2016 TO 31.12.2016
	Audited	Audited
Sales revenue	323 769	315 646
Cost of goods sold	(301 780)	(281 785)
Gross profit (loss) on sales	21 989	33 861
Cost of sales, marketing and distribution	(1 279)	(1 432)
General and administrative costs	(12 013)	(13 979)
Other operating revenues	1 148	3 410
Other operating costs	(865)	(2 357)
Participation in a jointly controlled entity	-	57
Goodwill impairment	-	(2 696)
Operating profit (loss)	8 980	16 864
Financial revenues	1 387	1 034
Financial costs	(2 563)	(2 511)
Gross profit (loss)	7 804	15 387
Income tax	(255)	(2 513)
Net profit for the period	7 549	12 874

*(Numbers provided in thousands of EUR)

	FROM 1.01.2017 TO 31.12.2017	FROM 1.01.2016 TO 31.12.2016
	Audited	Audited
Sales revenue	202 202	188 815
Cost of goods sold	(192 144)	(179 920)
Gross profit (loss) on sales	10 059	8 895
Cost of sales, marketing and distribution	(545)	(487)
General and administrative costs	(5 273)	(5 776)
Other operating revenues	759	811
Other operating costs	(529)	(1 223)
Operating profit (loss)	4 470	2 220
Financial revenues	5 594	5 929
Financial costs	(1 644)	(1 355)
Gross profit (loss)	8 420	6 794
Income tax	(872)	(236)
Net profit for the period	7 548	6 558

*(Numbers provided in thousands of EUR)

BALANCE SHEET OF THE TRAKCJA GROUP

ASSETS

	31.12.2017	31.12.2016
	Audited	Audited
Non-current assets	175 371	163 139
Tangible non-current assets	63 980	55 942
Intangible assets	12 888	12 499
Goodwill from consolidation	78 639	76 369
Investment properties	4 818	4 798
Investments in other units	206	6
Other financial assets	10 584	10 511
Deferred tax assets	2 358	2 420
Prepayments	1 898	594
Current assets	170 425	152 578
Inventory	22 544	17 148
Trade and other receivables	77 704	90 322
Income tax receivables	2 312	-
Other financial assets	3 562	1 957
Cash and cash equivalents	26 896	33 634
Prepayments	2 214	1 361
Construction contracts	35 193	8 156
Total assets	345 796	315 717

*(Numbers provided in thousands of EUR)

BALANCE SHEET OF THE TRAKCJA GROUP

LIABILITIES

	31.12.2017	31.12.2016
	Audited	Audited
Equity attributable to shareholders of Parent entity	181 491	174 308
Share capital	9 859	9 295
Share premium	74 321	70 069
Revaluation reserve	1 382	1 303
Other capital reserves	86 693	75 194
Retained earnings	7 535	12 361
Foreign exchange differences on translation of foreign operations	1 701	6 086
Non-controlling interest	1 212	1 092
Total equity	182 703	175 400
Long-term liabilities	28 040	34 709
Interest-bearing loans and borrowings	21 017	22 755
Provisions	2 857	6 249
Liabilities due to employee benefits	1 229	2 517
Provision for deferred tax	1 873	1 824
Derivative financial instruments	1 043	1 347
Other financial liabilities	21	17
Short-term liabilities	135 053	105 609
Interest-bearing loans and borrowings	6 841	4 973
Trade and other liabilities	80 330	70 069
Provisions	3 400	7 991
Liabilities due to employee benefits	3 060	2 582
Income tax liabilities	-	1 113
Derivative financial instruments	230	230
Accruals	100	82
Construction contracts and advances received towards contracts being performed	41 082	18 181
Advances received towards flats	10	388
Total equity and liabilities	345 796	315 717

*(Numbers provided in thousands of EUR)

The company is listed on the Stock Exchange from April 2008

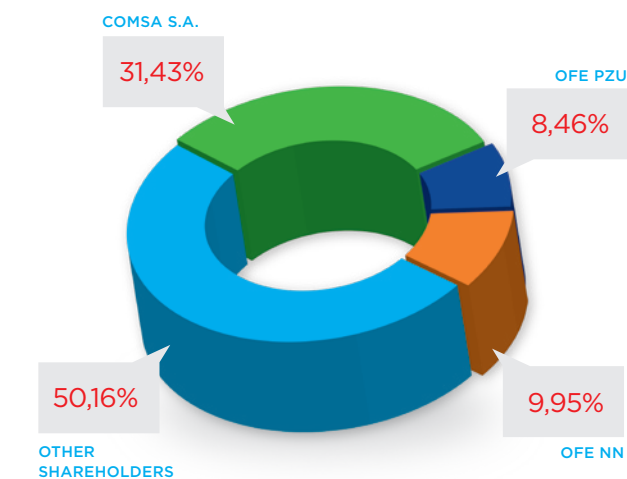
The value of noted shares amounts to 51 399 548



CORPORATE ORDER

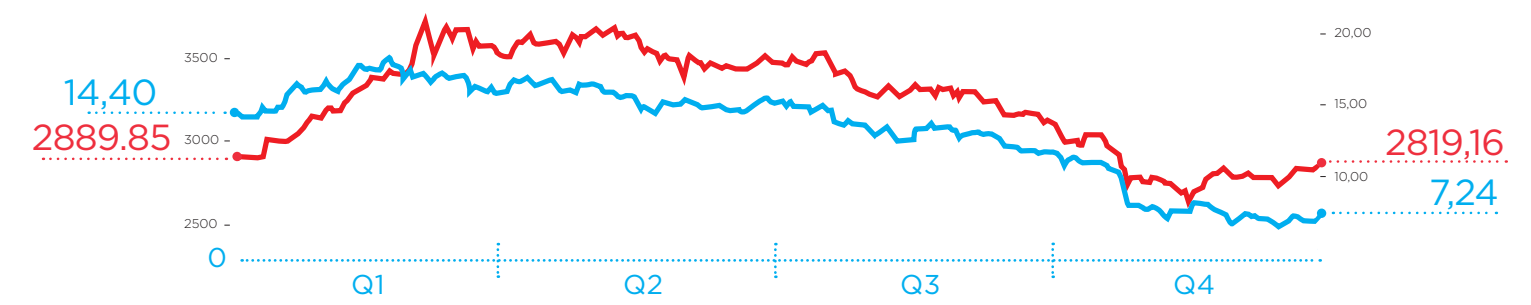
AND INVESTOR RELATIONS

as of the 31 December 2017



Shareholder	Number of shares	% share in company equity	Number of votes	% share in votes at GSM
COMSA S.A.	16 156 193	31,43%	16 156 193	31,43%
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	25 781 797	50,16%	25 781 797	50,16%
Total number of shares	51 399 548	100,00%	51 399 548	100,00%

THE PRICE OF SHARES NOTED UPON THE STOCK EXCHANGE IN THE YEAR 2017



Trakcja PRKiI S.A. WIG-Budownictwo



CORPORATE

SOCIAL RESPONSIBILITY

The company of Trakcja PRKił continuously strives towards the broadening of the scope of its competences through gradual development of activity performed in new sectors of the construction industry. Its foundations are constituted by the high degree of reliability amongst public institutions as well as trade partners paralleled by the quality of works which are executed in accordance to customer expectations. During the period of almost 70 years of operation, the company observed universal values based upon balanced development, which are expressed by:

- establishment of a friendly and a safe working environment for company employees,
- execution of all investments with highest diligence, in accordance to customer requirements,
- construction as well as sustaining of positive relations with local societies,
- execution of works with the consideration of the natural environment as well as with the application ecological technologies,
- comprehensive offer as well as increase of customer satisfaction, stabilisation of employment posts as well as winning and ensuring the trust of shareholders as well as financial institutions as well as public reliability within the economical system.

Re-entering of the Respect Index as the result of the verification procedure conveyed by the Warsaw Stock Exchange (Warszawska Giełda Papierów Wartościowych) and the Association of Stock Exchange Emitters (Stowarzyszenie Emitentów Giełdowych) constitutes the confirmation of the above.

In 2017 a new campaign entitled “Visible – Safe” (“Widoczny – Bezpieczny”) was launched which is directed at elementary school children, who remain within close proximity of construction investments conveyed by the company. The goal of the campaign is to get the youngest ones acquainted to the principles of pedestrian traffic upon public roads as well as in close proximity to premises of construction sites.



PRIZES

AND DISTINCTIONS

The most important prizes and distinctions awarded to the company of Trakcja PRKiL in the year of 2017

Systematic striving of the company of Trakcja PRKiL towards the implementation of innovative solutions within the executed business activity paralleled by honest and continuous engagement in matters of local societies, employees and from the area of the natural environment, generate thorough recognition and resulted in the series of distinctions, including:

- The medal of the President of the Association of Polish Electricians as well as distinction within the competition of the Jan Podolski Municipal Transport Economical Chamber for “Modular system of dynamic regulation of the load of the catenary substation with the possibility for the connection of charging stations”, elaborated in co-operation with the company of My Soft. The main assumption of the system is constituted by the storage of power supply within the periods of intermissions in the concentration of train or tram traffic and thus the possibility for the application of such regained power supply for the needs of for instance charging of electricity propelled vehicles.
- Distinction within the Józef Nowkuński competition organised as part of TRAKO International Railroad Trade Fairs for the system of dynamic information of travellers and the safety of passengers – TRAKCJA-SAT HUSAR SIP. The aforementioned system has been for the first time applied upon the railroad station of Łódź Fabryczna and is one of the most advanced solutions in Poland. The technological partner of the solution is the company of Sat System.
- The title of Respect Index awarded by the Warsaw Stock Exchange (Warszawska Giełda Papierów Wartościowych) and the Association of Stock Exchange Emitters (Stowarzyszenie Emitentów Giełdowych) to the companies which in an irreproachable manner convey communication with the market through ongoing and periodical reports as well as through their own communication channels i.e. company websites as well as for socially responsible behaviours with regards to the natural environment, societies, stakeholders and employees.
- The Leader of Safe Labour – a distinction for the contribution of the company into the development of the culture of the safety of work awarded by the Central Institute for Labour Protection of the National Research Institute (CIOP-PIB).
- The symbol of Railroad Technology 2017 – a distinction awarded by the publisher of extra industry sections to the newly newspapers of Rzeczpospolita and Dziennik Gazeta Prawna for the whole of the business activity of the company.



